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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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REX INDUSTRY BERHAD
(Registration No. 199301027926 (282664-K))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 164,417,645 NEW ORDINARY SHARES IN REX INDUSTRY BERHAD ("REX" OR THE "COMPANY") ("REX SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") AT THE ISSUE PRICE TO BE DETERMINED LATER ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 3 EXISTING REX SHARES HELD, TOGETHER WITH 54,805,881 FREE DETACHABLE WARRANTS IN REX ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 3 RIGHTS SHARES SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Rex which is scheduled to be held at the Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Friday, 27 May 2022 at 10.00 a.m., or at any adjournment thereof, together with the Form of Proxy are enclosed herewith.

A member entitled to participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time appointed for holding the EGM as indicated below or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so provided a notice of termination of proxy authority in writing is given to the Company not less than 24 hours before the commencement of the meeting or adjournment thereof, and you register to personally participate by the registration cut-off date and time.

Last date and time for lodging the Form of Proxy : Wednesday, 25 May 2022 at 10.00 a.m.

Date and time of the EGM : Friday, 27 May 2022 at 10.00 a.m.

This Circular is dated 25 April 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act 2016
"Board"	: Our Board of Directors
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Circular"	: This circular to shareholders of our Company dated 25 April 2022 in relation to the Proposed Rights Issue with Warrants
"COVID-19"	: Coronavirus disease
"Director(s)"	: The director(s) of our Company and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007
"Deed Poll"	: The draft deed poll to be executed by our Company constituting the Warrants (to be issued in conjunction with the Proposed Rights Issue with Warrants), as may be supplemented from time to time
"DK"	: Darmendran Kunaretnam, a Director and substantial shareholder of our Company
"DTSB"	: Daiman Taipan Sdn Bhd (Registration No. 201501003374 (1128706-X)), a substantial shareholder of our Company
"EGM"	: Extraordinary General Meeting
"Entitled Shareholders"	: Shareholders of our Company whose names appear on the Record of Depositors of our Company as at the close of business on the Entitlement Date
"Entitlement Date"	: A date to be determined and announced later by our Board, on which the names of the shareholders of our Company must appear in the Record of Depositors of our Company as at 5.00 p.m. in order to be entitled to participate in the Proposed Rights Issue with Warrants
"EPS/ (LPS)"	: Earnings per share/ (Loss) per share
"FPE"	: Financial period ended/ ending
"FYE"	: Financial year ended/ ending
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 1 April 2022, being the latest practicable date prior to the printing and dispatch of this Circular
"Market Day"	: Any day from Monday to Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"NA"	: Net assets attributable to owners of our Company

DEFINITIONS (CONT'D)

"PAT/ (LAT)"	:	Profit/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit/ (Loss) before taxation
"Proposed Rights Issue with Warrants"	:	Proposed renounceable rights issue of 164,417,645 Rights Shares on the basis of 1 Rights Share for every 3 existing Rex Shares held, together with 54,805,881 Warrants on the basis of 1 Warrant for every 3 Rights Shares subscribed for, on the Entitlement Date
"Protégé" or the "Independent Market Researcher"	:	Protégé Associates Sdn Bhd (Registration No. 200401037256 (675767-H))
"Record of Depositors"	:	A record consisting of names of depositors established and maintained by Bursa Depository under the rules of Bursa Depository
"Rex" or our "Company"	:	Rex Industry Berhad (Registration No. 199301027926 (282664-K))
"Rex Group" or our "Group"	:	Rex and its subsidiary companies, collectively
"Rex Share(s)" or "Share(s)"	:	Ordinary share(s) in Rex
"Rights Share(s)"	:	164,417,645 new Rex Shares to be issued pursuant to the Proposed Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and Sen, respectively
"Rules"	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions
"TERP"	:	Theoretical ex-rights price
"Undertaking Shareholders"	:	DTSB and DK, collectively
"Undertakings"	:	The irrevocable and unconditional undertakings provided by the Undertaking Shareholders vide their letters dated 28 January 2022 to subscribe in full for their respective entitlements based on their shareholdings as at the Entitlement Date. Based on the aggregate shareholdings of the Undertaking Shareholders of 193,282,504 Rex Shares as at the LPD, the total number of Rights Shares to be subscribed pursuant to the Undertakings shall amount to 64,427,501 Rights Shares
"UOBKH" or the "Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price
"Warrant(s)"	:	54,805,881 free detachable warrants in Rex to be issued pursuant to the Proposed Rights Issue with Warrants

All references to "our Company" in this Circular are to Rex and all references to "our Group" are to our Company and subsidiary collectively. All references to "we", "us", "our" and "ourselves" are to our Company, and where the context requires otherwise, shall include our subsidiary.

All references to "you" and "your" in this Circular are to the shareholders of our Company.

DEFINITIONS (CONT'D)

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole cent, for ease of reference.

Words incorporating the singular shall, where applicable include the plural and vice versa. Words incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Rights Issue with Warrants. Shareholders of our Company are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Rights Issue with Warrants before voting at the EGM.

Key information	Description	Reference to Circular															
Summary of the Proposed Rights Issue with Warrants	<p>The Proposed Rights Issue with Warrants entails an issuance of 164,417,645 Rights Shares on the basis of 1 Rights Share for every 3 Rex Shares held, together with 54,805,881 Warrants on the basis of 1 Warrant for every 3 Rights Shares subscribed for by the Entitled Shareholders.</p> <p>The Proposed Rights Issue with Warrants will be undertaken on a full subscription basis, after taking into consideration the total funds our Company intends to raise from the Proposed Rights Issue with Warrants amounting to RM16.44 million based on the indicative issue price of RM0.10 per Rights Share, which would entail a full subscription of 164,417,645 Rights Shares together with 54,805,881 Warrants. In order to meet the full subscription level, the shareholders of Rex, namely DTSB DK, had vide letters dated 28 January 2022 provided their irrevocable and unconditional undertaking to subscribe for their respective full entitlement to the Rights Shares based on their shareholdings as at the Entitlement Date and an underwriting arrangement will be procured by our Company for the remaining Rights Shares for which no undertaking has been obtained.</p>	Section 2															
Basis of determining and justifications for the issue price of the Rights Shares	<p>The final issue price of the Rights Shares shall be determined and announced by our Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, at a price that is deemed appropriate after taking into consideration the TERP of Rex Shares, calculated based on the 5-day VWAP of Rex Shares immediately preceding the price-fixing date of the Rights Shares.</p> <p>Our Board shall also take into consideration further justifications in determining the final issue price of the Rights Shares including, amongst others, the following:-</p> <ul style="list-style-type: none"> (i) The funding requirements of our Group as set out in Section 2.8 of this Circular; (ii) The prevailing market conditions and current and historical market price of Rex Shares for the past 12 months. For illustrative purpose, the indicative issue price of RM0.10 per Rights Share represents a discount of 42.63% to the TERP of RM0.1743; and (iii) The rationale for the Proposed Rights Issue with Warrants as set out in Section 3 of this Circular. 	Section 2.2															
Utilisation of proceeds from the Proposed Rights Issue with Warrants	<p>Based on the indicative issue price of RM0.10 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants will be utilised in the following manner:-</p> <table border="1"> <thead> <tr> <th></th> <th>Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants</th> <th>Maximum Scenario RM'000</th> </tr> </thead> <tbody> <tr> <td>Business expansion</td> <td>Within 18 months</td> <td>10,000</td> </tr> <tr> <td>Working capital</td> <td>Within 12 months</td> <td>5,882</td> </tr> <tr> <td>Estimated expenses</td> <td>Upon completion</td> <td>560</td> </tr> <tr> <td>Total</td> <td></td> <td>16,442</td> </tr> </tbody> </table>		Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Maximum Scenario RM'000	Business expansion	Within 18 months	10,000	Working capital	Within 12 months	5,882	Estimated expenses	Upon completion	560	Total		16,442	Section 2.8
	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Maximum Scenario RM'000															
Business expansion	Within 18 months	10,000															
Working capital	Within 12 months	5,882															
Estimated expenses	Upon completion	560															
Total		16,442															

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to Circular
Rationale and justification for the Proposed Rights Issue with Warrants	<p>(i) the Proposed Rights Issue with Warrants will strengthen the financial position and capital base of our Company, by reducing its gearing level and increasing its NA thereby providing greater financial flexibility, as illustrated in Section 5.2 of this Circular;</p> <p>(ii) that the Proposed Rights Issue with Warrants will help position our Group on a better financial footing to expand our business in the future, in tandem with our strategy to further enhance our profitability;</p> <p>(iii) the Proposed Rights Issue with Warrants will enable the issuance of new Rex Shares without diluting shareholders' equity interest, based on the assumption that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants;</p> <p>(iv) the Proposed Rights Issue with Warrants will provide all Entitled Shareholders with an opportunity to further participate in the prospects and future growth of our Group on a pro-rata basis; and</p> <p>(v) the Proposed Rights Issue with Warrants will enable our Company to raise the requisite funds without incurring additional interest expense, as compared to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing.</p>	Section 3
Approvals required/ obtained	<p>The Proposed Rights Issue with Warrants is subject to the following approvals being obtained:-</p> <p>(i) Bursa Securities, which was obtained on 4 April 2022;</p> <p>(ii) shareholders of our Company at the EGM; and</p> <p>(iii) any other relevant authorities and/ or parties, if required.</p>	Section 7
Interests of directors, major shareholders, chief executive and/ or persons connected to them	<p>None of the Directors, major shareholders, chief executive of our Company and/ or persons connected with them have any interest, whether direct and/ or indirect, in the Proposed Rights Issue with Warrants, save for their respective entitlements under the Proposed Rights Issue with Warrants, to which all Entitled Shareholders are similarly entitled.</p>	Section 8
Directors' statement and recommendation	<p>Our Board, having considered all aspects of the Proposed Rights Issue with Warrants including but not limited to the rationale and effects of the Proposed Rights Issue with Warrants as well as the utilisation of the proceeds raised from the Proposed Rights Issue with Warrants, is of the opinion that the Proposed Rights Issue with Warrants is in the best interests of our Company.</p> <p>Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Rights Issue with Warrants at the EGM.</p>	Section 9



REX INDUSTRY BERHAD
(Registration No. 199301027926 (282664-K))
(Incorporated in Malaysia)

Registered Office

Plot 126, Jalan Perindustrian Bukit Minyak 5
14100 Simpang Ampat
Seberang Perai Tengah
Penang

25 April 2022

Board of Directors

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (*Chairman/ Independent Non-Executive Director*)
Darmendran Kunaretnam (*Group Managing Director/ Non-Independent Executive Director*)
Chee Cheng Chun (*Non-Independent Non-Executive Director*)
Tai Keat Chai (*Independent Non-Executive Director*)
Adnan bin Ahmad (*Independent Non-Executive Director*)

To: Shareholders of our Company

Dear Sir/ Madam,

PROPOSED RIGHTS ISSUE WITH WARRANTS

1. INTRODUCTION

On 28 January 2022, UOBKH had, on behalf of our Board, announced that we proposed to undertake a renounceable rights issue of 164,417,645 Rights Shares on the basis of 1 Rights Share for every 3 existing Rex Shares held, together with 54,805,881 Warrants on the basis of 1 Warrant for every 3 Rights Shares subscribed for, on the Entitlement Date.

On 4 April 2022, UOBKH had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 4 April 2022, resolved to approve the following, subject to the conditions as disclosed in **Section 7** of this Circular:-

- (i) admission of the Warrants to the official list of Bursa Securities;
- (ii) listing and quotation for 164,417,645 Rights Shares and 54,805,881 Warrants pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and
- (iii) listing and quotation for 54,805,881 new Rex Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

Details of the Proposed Rights Issue with Warrants are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED RIGHTS ISSUE WITH WARRANTS AND TO SEEK YOUR APPROVAL BY WAY OF POLL FOR THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF OUR FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AS SET OUT IN THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT OUR FORTHCOMING EGM.

2. PROPOSED RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants entails an issuance of 164,417,645 Rights Shares on the basis of 1 Rights Share for every 3 Rex Shares held, together with 54,805,881 Warrants on the basis of 1 Warrant for every 3 Rights Shares subscribed for by the Entitled Shareholders.

As at the LPD, our Company has an issued share capital of RM97,903,444 comprising 493,252,936 Rex Shares.

The Proposed Rights Issue with Warrants will be undertaken on a full subscription basis, after taking into consideration the total funds our Company intends to raise from the Proposed Rights Issue with Warrants amounting to RM16.44 million based on the indicative issue price of RM0.10 per Rights Share, which would entail a full subscription of 164,417,645 Rights Shares together with 54,805,881 Warrants, which will be channelled towards the proposed utilisation as set out in **Section 2.8** of this Circular.

In order to meet the full subscription level, the shareholders of Rex, namely DTSB and DK, had vide letters dated 28 January 2022 provided their irrevocable and unconditional undertaking to subscribe for their respective full entitlement to the Rights Shares based on their shareholdings as at the Entitlement Date and an underwriting arrangement will be procured by our Company for the remaining Rights Shares for which no undertaking has been obtained. Further details of the Undertakings and the underwriting arrangement are set out in **Section 2.6** of this Circular.

In addition, assuming all 54,805,881 Warrants are exercised, a total of 54,805,881 Shares will be issued arising therefrom, raising further gross proceeds of approximately RM9.87 million at the indicative exercise price of RM0.17 per Warrant.

The actual number of Rights Shares and Warrants to be issued will depend on the total issued Shares as at the Entitlement Date. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by our Company constituting the Warrants, as may be supplemented from time to time.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.

In determining the entitlement of the Entitled Shareholders under the Proposed Rights Issue with Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner and on such terms and conditions as our Board in its sole and absolute discretion deem fit or expedient and in the best interests of our Company.

The Rights Shares together with Warrants that are not taken up or validly taken up, shall be made available for excess Rights Shares with Warrants application by the other Entitled Shareholders and/ or their renounee(s). Our Board intends to allocate the excess Rights Shares together with Warrants in a fair and equitable manner on a basis to be determined by our Board.

2.2 Basis and justifications of arriving at the issue price of the Rights Shares

The final issue price of the Rights Shares shall be determined and announced by our Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, at a price that is deemed appropriate after taking into consideration the TERP of Rex Shares, calculated based on the 5-day VWAP of Rex Shares immediately preceding the price-fixing date of the Rights Shares.

Our Board shall also take into consideration further justifications in determining the final issue price of the Rights Shares including, amongst others, the following:-

- (i) The funding requirements of our Group as set out in **Section 2.8** of this Circular;
- (ii) A discount range of 35% to 55% to the TERP of Rex Shares based on 5-day VWAP of Rex Shares immediately preceding the pricing fixing date. The discount range was determined by our Board after taking into consideration the need to price the Rights Shares at an issue price that would be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s) whilst at the same time, the issue price of the Rights Shares shall be able to achieve the intended proceeds to be raised from the Proposed Rights Issue with Warrants. Further, our Board has also taken into account the optimum discount range for the issue price of the Rights Shares such that it will not result in a significant dilutive effect on the EPS of our Group due to the number of Rex Shares to be issue pursuant to the Proposed Rights Issue with Warrants;
- (iii) The prevailing market conditions and current and historical market price of Rex Shares for the past 12 months. For illustrative purpose, the Rights Shares are assumed to be issued at an indicative issue price of RM0.10 per Rights Share, which represents a discount of approximately 42.63% to the TERP of RM0.1743, calculated based on the 5-day VWAP of Rex Shares up to and including the LPD of RM0.1995 per Share. The indicative issue price also represents a discount to the respective TERPs as follows:-

Up to the LPD	VWAP RM	TERP RM	Discount to the TERP RM	%
5-day VWAP of Rex Shares	0.1995	0.1743	0.0743	42.63
1-month VWAP of Rex Shares	0.1959	0.1718	0.0718	41.79
3-month VWAP of Rex Shares	0.2176	0.1868	0.0868	46.47
6-month VWAP of Rex Shares	0.2543	0.2122	0.1122	52.87
12-month VWAP of Rex Shares	0.2442	0.2052	0.1052	51.27

(Source: Bloomberg)

Based on the above, the indicative issue price of RM0.10 per Rights Share, represents a discount ranging from approximately 41.79% to 52.87% to the TERP, calculated based on the 5-day VWAP, 1-month VWAP, 3-month VWAP, 6-month VWAP, and 12-month VWAP of Rex Shares up to and including the LPD; and

- (iv) The rationale for the Proposed Rights Issue with Warrants as set out in **Section 3** of this Circular.

2.3 Basis of determining and justification for the exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares.

The exercise price of the Warrants will be determined and announced by our Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the following:-

- (i) The Warrants will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who successfully subscribe for the Rights Shares;
- (ii) The historical trading prices of Rex Shares for the past 12 months as set out in **Section 2.2 (iii)** of this Circular; and
- (iii) a discount range of nil to 20% to the 5-day VWAP immediately preceding the pricing fixing date. The abovementioned range of discount will allow our Board to fix the exercise price of the Warrants to incentivise warrant holders to exercise the Warrants and increase their equity participation in our Company, while also allowing our Board the necessary flexibility to accommodate for potential fluctuations in prevailing market conditions and prices. Further, this discount was determined after taking into consideration the prospects and future plans of our Group as well as future funding requirements, and thus the need to fix an exercise price which makes the Warrants sufficiently attractive to encourage our shareholders to exercise the Warrants.

For illustrative purposes only, the exercise price of the Warrants is assumed at an indicative exercise price of RM0.170 per Warrant, which represents a discount of approximately 2.53% to the TERP of RM0.1743 per Share, calculated based on the 5-day VWAP of Rex Shares up to and including the LPD of RM0.1995 per Share.

The basis and justification of determining the issue price of the Rights Shares and the exercise price of the Warrants, including justifications for the quantum of discount applied will be announced by our Company on the price fixing date for the Rights Shares and the Warrants.

2.4 Ranking of the Rights Shares and new Rex Shares to be issued arising from the exercise of the Warrants

The Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing Rex Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares.

The new Rex Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing Rex Shares, save and except that the new Rex Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new Rex Shares.

2.5 Listing of and quotation for the Rights Shares, Warrants and new Rex Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 4 April 2022, approved the admission of the Warrants to the official list of Bursa Securities as well as the listing and quotation of Rights Shares, Warrants to be issued pursuant to the Proposed Rights Issue with Warrants and new Rex Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in **Section 7** of this Circular.

2.6 Undertaking and underwriting arrangements for the Proposed Rights Issue with Warrants

Our Board has determined to undertake the Proposed Rights Issue with Warrants on the full subscription basis after taking into consideration the amount of funds of approximately RM16.44 million that our Company intends to raise from the Proposed Rights Issue with Warrants which will be channelled towards the proposed utilisation as set out in **Section 2.8** of this Circular.

Both DTSB and DK, being the shareholders of Rex had vide their respective letters dated 28 January 2022, provided their Undertakings to subscribe in full for their respective entitlements based on their shareholdings as at the Entitlement Date.

The details of the Undertakings are set out below:-

Undertaking Shareholders	Direct shareholdings as at the LPD		Undertakings ^{*2}	Direct shareholdings after the Proposed Rights Issue with Warrants		Funding required RM	Entitlement No. of Warrants
	No. of Shares	% ^{*1}		No. of Shares	% ^{*3}		
DTSB	130,732,800	26.5	43,577,600	174,310,400	26.5	4,357,760	14,525,866
DK	62,549,704	12.7	20,849,901	83,399,605	12.7	2,084,990	6,949,966
Total	193,282,504	39.2	64,427,501	257,710,005	39.2	6,442,750^{*4}	21,475,832

Notes:-

^{*1} Based on the total issued share capital of Rex as at the LPD amounting to 493,252,936 Rex Shares

^{*2} Based on 64,427,501 Rights Shares available to be issued pursuant to the Undertakings

^{*3} Computed based on the enlarged issued share capital of Rex amounting to 657,670,581 Rex Shares after the Proposed Rights Issue with Warrants

^{*4} Computed based on the indicative issue price of RM0.10 per Rights Share

The Undertaking Shareholders had respectively confirmed, vide their respective letters dated 28 January 2022, that they have sufficient financial resources to take up their respective entitlements as specified in the Undertakings and such confirmations have been verified by UOBKH, being the Adviser for the Proposed Rights Issue with Warrants.

The remaining portion of Rights Shares for which no undertaking has been obtained will be fully underwritten. As at the LPD, the underwriting arrangements and commission have not been finalised. Such underwriting arrangements and commission will be in place prior to the implementation of the Proposed Rights Issue with Warrants, details of which will be set out in the abridged prospectus to be issued for the Proposed Rights Issue with Warrants.

As the Proposed Rights Issue with Warrants is being undertaken on the full subscription basis, the Proposed Rights Issue with Warrants is not expected to give rise to any mandatory general offer obligation pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions.

Pursuant to Paragraph 8.02(1) of the Listing Requirements, our Company must ensure that at least 25% of the total listed Rex Shares are in the hands of public shareholders. For information purposes, the public shareholding spread of our Company is not expected to fall below 25% of the enlarged issued share capital of our Company after the completion of the Proposed Rights Issue with Warrants in view that the Proposed Rights Issue with Warrants is being undertaken on the full subscription basis.

2.7 Indicative salient terms of the Warrants

Terms	Details
Issue size	: 54,805,881 Warrants to subscribe for 54,805,881 new Rex Shares.
Issue price	: The Warrants will be issued at no cost to the Entitled Shareholders.
Form	: The Warrants will be issued in registered form and will be constituted by the Deed Poll.
Board lot	: The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Rex Shares at any time during the exercise period or such denomination as permitted by Bursa Securities.
Exercise price	: The exercise price of the Warrants shall be determined and fixed by our Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, which will be subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise period	: Five (5) years commencing on and including the date of issuance of the Warrants and ending at 5.00 p.m. on the day falling immediately before the fifth (5th) anniversary of the date of issuance, or if such day is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Rights of Warrant holders	: The holder of Warrants shall not be entitled to any voting rights or to participate in any dividends, rights, allotments and/ or other forms of distributions other than on winding-up, compromise or arrangement of our Company and/ or offer of further securities in our Company until and unless such holders of the Warrants becomes a shareholder of Rex by exercising their Warrants into new Rex Shares or unless otherwise resolved by Rex in a general meeting.
Ranking of new Rex Shares	: The new Rex Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing Rex Shares, save and except that the new Rex Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new Rex Shares.
Listing of the Warrants	: The Warrants and new Rex Shares to be issued from the exercise of the Warrants will be listed on the Main Market of Bursa Securities.

Terms	Details
Adjustment in the exercise price and/ or number of Warrants	: The exercise price and/ or the number of Warrants held by each Warrant holder may from time to time be adjusted in accordance with the provisions of the Deed Poll by the Directors in consultation with an approved adviser appointed by our Company and certified by the auditors in the event of any alteration in the share capital of our Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or capital distribution, in accordance with the provisions as set out in the Deed Poll.
Transferability	: The Warrants shall be transferable in the manner in accordance with the Deed Poll subject always to the provisions of the Securities Industries (Central Depositories) Act, 1991, as amended and revised from time to time and the Rules of Bursa Depository and any appendices.
Rights in the event of winding-up, liquidation, compromise and/ or arrangement	: Where a resolution has been passed for a members' voluntary winding up of our Company, or where there is a scheme of compromise or arrangement under Section 366 of the Act (whether or not for the purpose of or in connection with the amalgamation of our Company with one or more companies) then:- <ul style="list-style-type: none"> (i) if such winding up, compromise or arrangement has been approved by the Warrant holders by way of a special resolution, the terms of such winding up, compromise or arrangement shall be binding on all the Warrant holders; and (ii) in any other case, every Warrant holder shall be entitled upon and subject to the conditions of the Deed Poll at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of our Company or within 6 weeks after the granting of the court order approving the compromise or arrangement (but in both cases, not later than the end of the exercise period), by irrevocable surrender on a Market Day of his/ her Warrants to our Company with the exercise form(s) duly completed, together with payment of the relevant exercise price and otherwise in accordance with the Deed Poll, to elect to be treated as if he/ she had immediately prior to the commencement of such winding up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the exercise form and be entitled to receive out of the assets of our Company which would be available in liquidation if he/ she had on such date been the holder of the new Shares to which he/ she would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. <p>If our Company is wound up by way of members' voluntary winding up or an order has been granted for such compromise or arrangement, all exercise rights which have not been exercised within 6 weeks after the passing of such a resolution or of the court order, shall lapse and the Warrants will cease to be valid for any purpose.</p> <p>If our Company is wound up (other than by way of a members' voluntary winding up), all exercise rights which have not been exercised prior to the date of commencement of the winding up shall lapse and the Warrants will cease to be valid for any purpose.</p>
Modifications	: Our Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the warrant holders, modify, amend or add to the Deed Poll, if such modification, amendment or addition made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with the prevailing laws of Malaysia.

Terms	Details
	Save for the above, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the holders of Warrants sanctioned by special resolution and may be effected only by the Deed Poll, executed by our Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary.
Governing Laws	: Laws of Malaysia.

2.8 Utilisation of proceeds

Based on the indicative issue price of RM0.10 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants will be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Amount of proceeds RM'000
Business expansion ^{*1}	Within 18 months	10,000
Working capital ^{*2}	Within 12 months	5,882
Estimated expenses ^{*3}	Upon completion	560
Total		16,442

Notes:-

^{*1} *In the past, our Group mainly focused on canned products where it had been a major contributor to our Group's revenue. Since 2016, we have made considerable efforts to gradually enhance our product mix and product range towards improving the beverage and biscuit production lines so as to further expand our product offerings and eventually improving our revenue. Our Group had introduced cream biscuits under the name of MOMBO in 2016, new drink products such as Rexberry in 2016 as well as Rexcoco Chocolate Malt and Rex Energy in 2017.*

Currently, our Group owns and operates a food and beverage production facility in Seberang Perai, Penang, a beverage production facility in Batu Pahat, Johor and rents a biscuit factory in Kuching, Sarawak. In view of the increasing consumer demand for beverage products with smaller serving sizes, our Group intends to install additional beverage production lines to expand our offering of beverages with smaller sized servings to such target market.

Accordingly, our Board has earmarked a total of approximately RM10.00 million to install additional beverage production lines with an estimated cost of RM10.00 million that caters for the production of Rexcoco chocolate malt, coconut milk and fruit flavoured drinks with serving size of between 200 millilitres to 1.0 litres per unit. The new additional beverage production lines are expected to increase our production capacity by 3,432,000 carton per year with an estimated output of 2,745,600 carton per year.

The production lines shall include, amongst others, beverage filling machineries, heat preservation tank, water tank, acid tank, alkali tank, sterilisation machine, homogeniser, steam boiler, cooling tower, air compressor, polyurethane panel and other utility system.

For information purpose, our Group is in the midst of deliberating on the location of the factory to install the additional beverage production lines, which could take place at our existing production facility in Batu Pahat, Johor, or to rent/ acquire a new factory at a different location in Malaysia to be identified. We are conducting feasibility studies to assess the most ideal location install the additional beverage production lines and accordingly, the additional financial commitment required for the factory has yet to be determined at this juncture. In the event our Group decides to acquire a new factory to install the additional production lines, we shall make the necessary announcements in accordance with the Listing Requirements as and when the acquisition materialises. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, we will seek the necessary approval from our shareholders.

In the event of a surplus/ deficit in the allocated amounts for the aforesaid business expansion, such variance will be adjusted to/ from the proceeds allocated for the working capital requirements, depending on the respective funding requirements at that point of utilisation.

*2

Our Group's existing business segment of manufacturing and distribution of canned food, drinks and biscuits has been the sole contributor of our Group's revenue as set out below:-

	----- Audited -----			<-----Unaudited----->
	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	FYE 30 June 2021 RM'000	6-month FPE 31 December 2021 RM'000
Revenue	136,608	149,245	160,539	80,709
PBT/ (LBT)	(14,317)	(8,396)	3,912	1,923

As set out in the table above, our revenue and profitability growth had been on an upward trend over the past 3 financial years up to the FYE 30 June 2021. This is in line with our Board's expansion plans of introducing new products as highlighted in Note 1 above. Our Board anticipates that as our Group continues to grow the said business segment, it will face increasing working capital requirements of its enlarged operations which generally comprise the purchase cost of raw materials, sales and marketing expenses for the food and beverage products as well as other operating expenses.

As such, to support the organic growth of our Group's existing business segment, our Board has earmarked up to approximately RM5.88 million to fund its working capital requirements, an indicative breakdown of which is as follows:-

Working capital requirements	Notes	Indicative percentage allocation (%)
Purchase cost of raw materials	(a)	60.0
Sales and marketing expenses for the food and beverage products	(b)	30.0
Other operating expenses	(c)	10.0
Total		100.0

Notes:-

- (a) our Group has earmarked 60% of the proceeds to be raised for the purchase cost of raw materials which may include, amongst others, purchase costs of raw materials (including but not limited to chicken meat, squid, sweeteners, empty cans and paper rolls for beverages). For information purpose, the purchase of raw materials is currently financed via bankers' acceptance. As such, the proceeds raised from the Proposed Rights Issue with Warrants is anticipated to reduce our Group's reliance on banker's acceptance;
- (b) our Group has earmarked 30% of the proceeds to be raised for the sales and marketing expenses of its food and beverage products (including but not limited to transport expenses, digital/ social media advertisements, exhibition booths/ stands and roadshows for marketing and promoting our Group's food and beverage products); and
- (c) other operating expenses (including but not limited to travelling and accommodation expenses and payment of utilities).

The actual breakdown for the utilisation for working capital is subject to our Group's operational requirements at the time of utilisation and as such can only be determined at a later stage. Accordingly, our Board shall have the discretion to allocate funds for our Group's working capital, depending on the actual working capital requirements at the time of utilisation.

*4

The proceeds earmarked for estimated expenses in relation to the Proposed Rights Issue with Warrants will be utilised as set out below:-

	RM'000
Professional fees (including all advisory fees)	360
Regulatory fees	100
Other incidental expenses in relation to the Proposed Rights Issue with Warrants	100
Total	560

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for working capital of our Group.

The actual gross proceeds to be raised from the Proposed Rights Issue with Warrants is dependent on the final issue price and the number of Rights Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for our Group's working capital requirements.

Pending the utilisation of proceeds from the Proposed Rights Issue with Warrants for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments. Any interest income earned from such deposits or instruments will be used as working capital of our Group.

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants. As such, the exact amount to be raised and timeframe for utilisation of the proceeds from the exercise of the Warrants is not determinable at this juncture. For illustrative purposes only, the gross proceeds to be raised upon the full exercise of the Warrants based on the indicative exercise price of RM0.17 per Warrant is set out below:-

No. of Warrants	54,805,881
Total gross proceeds raised assuming all outstanding Warrants are exercised (RM)	9,317,000

Such gross proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance our Group's day to day operations. The proceeds may be utilised to finance, amongst others, employee salaries, raw material costs as well as general expenses such as utilities and office expenses, the breakdown of which has not been determined at this juncture.

2.9 Other fund raising exercises in the past 12 months

Our Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED RIGHTS ISSUE WITH WARRANTS

Our Board is of the view that the Proposed Rights Issue with Warrants is the most appropriate avenue to raise the necessary funding for our Group as set out in **Section 2.8** of this Circular after taking into consideration the following:-

- (i) the Proposed Rights Issue with Warrants will strengthen the financial position and capital base of our Company, by reducing our gearing level and increasing our NA thereby providing greater financial flexibility, as illustrated in **Section 5.2** of this Circular;
- (ii) that the Proposed Rights Issue with Warrants will help position our Group on a better financial footing to expand our business in the future, in tandem with our strategy to further enhance our profitability;
- (iii) the Proposed Rights Issue with Warrants will enable the issuance of new Rex Shares without diluting shareholders' equity interest, based on the assumption that all Entitled Shareholders subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants;
- (iv) the Proposed Rights Issue with Warrants will provide all Entitled Shareholders with an opportunity to further participate in the prospects and future growth of our Group on a pro-rata basis; and

- (v) the Proposed Rights Issue with Warrants will enable our Company to raise the requisite funds without incurring additional interest expense, as compared to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan. The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%).

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand.

Private consumption growth turned around to register a positive growth of 3.7% (3Q 2021: -4.2%). The turnaround was mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Labour market conditions also improved during the same period, as evidenced by stronger employment and wage growth. Furthermore, various policy measures provided additional support to consumer spending.

Private investment contracted at a slower pace of 3.0% (3Q 2021: -4.8%), supported mainly by higher capital spending on transport and ICT equipment, particularly by firms in the export-oriented sectors. Furthermore, investments in structures also registered a smaller contraction, in line with the construction sector's performance.

Public investment registered a smaller decline of 3.8% (3Q 2021: -28.9%), supported by improvement in capital spending by the General Government and public corporations.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2021, Bank Negara Malaysia)

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme ("**PICK**") and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spillover effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects.

Against the backdrop of global uncertainties amid the COVID-19 outbreak, domestic demand remains resilient and continue to spearhead growth. After registering a contraction of 5.8% in 2020, domestic demand is projected to rebound to 3.1% in 2021, with private and public sectors' expenditure increasing by 3.5% and 1.6%, respectively. The recovery is driven by robust domestic demand performance in the first half of 2021, which expanded by 5% following low base effect in 2020 due to strict containment measures to curb the COVID-19 pandemic. The ongoing stimulus packages and economic assistance, such as Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Strategic Programme to Empower the People and Economy (PEMERKASA), PEMERKASA Plus (PEMERKASA+) and PEMULIH, the gradual reopening of economic sectors and the recovery in external demand are expected to provide a lift to consumer and business sentiments.

Private consumption remained as the significant growth determinant and increased by 4.3% during the first half of 2021 attributable to improvements in disposable income arising from the gradual recovery in the labour market condition, accommodative interest rates, favourable commodity prices as well as ongoing economic stimulus packages and assistance. In the second half of the year, private consumption is projected to increase by 3.9%, following the gradual reopening of economic sectors. Overall, private consumption in 2021 is expected to expand by 4.1% supported mainly by the continued assistance and stimulus measures, such as wage subsidies, BPR, targeted moratorium, Special COVID-19 Assistance as well as i-Sinar and i-Citra assistance. As at 19 August 2021, RM20.2 billion has been approved for 4.9 million applicants for i-Citra, and RM58.4 billion has been disbursed for 6.6 million applicants for i-Sinar. Furthermore, as at 24 September 2021, RM14.3 billion has been disbursed for the wage subsidy programme, which has benefitted about 3.3 million employees.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

4.2 Overview and outlook of the food and beverages industry in Malaysia

The food and beverage industry in Malaysia entered 2022 on a stronger footing with a good performance registered in 2021. Gross domestic product at constant 2015 prices ("GDP") contribution from food processing and beverages manufacturing activities increased 10.0% from RM22.65 billion in 2020 to RM24.92 billion in 2021. Food and beverage services activities declined in GDP contribution in 2021 with RM28.93 billion recorded as compared to RM31.78 billion registered in 2020. Local food and beverages manufacturers have been navigating various challenges stemming from the Coronavirus Disease 2019 ("COVID-19") pandemic and lockdown measures including but are not limited to dampened consumer sentiments, disruption in supply chain, postponement of orders, maintaining operations at below full capacity with the reduced production hours and workforce and/or additional cost incurred in executing strict health and safety regulations and enhanced sanitisation at the workplace. The Malaysian Government has eased more restrictions and more economic sectors were allowed to open, including food and beverages industry as a result of high population vaccination rate.

Food and beverages manufacturing activities in Malaysia have remained vibrant with stringent standard operating procedures becoming a norm post COVID-19 pandemic for local food and beverages manufacturers. Malaysia's sales value of own manufactured products (ex-factory) for food and beverages increased 12.9% from RM248.92 billion in 2020 to RM280.98 billion in 2021. On a closer look, the manufacturing performance of selected segments within the food and beverages industry for the past 2 years is highlighted in Figure 1.

Figure 1: Sales Value of Own Manufactured Products (Ex-factory) of Selected Food and Beverages Manufacturing Industries in Malaysia, 2020-2021

Industry Description	Sales Value of Own Manufactured Products (Ex-factory) (RM' million)	
	2020	2021
Canning of fish, crustaceans and molluscs as well as processing, curing and preserving of fish, crustacean and molluscs	5,934	5,970
Pineapple canning as well as manufacture of jams, marmalades and table jellies	347	364
Manufacture of biscuits and cookies	2,140	2,234
Manufacture of snack products	2,385	2,342
Manufacture of chocolate and chocolate products as well as manufacture of chocolate confectionery	10,041	12,588
Manufacture of soft drinks	5,031	6,267
Production of natural mineral waters and other bottled waters	1,082	1,321

(Source: Department of Statistics, Malaysia)

In terms of external trade, Malaysia is a net importer of food, beverages and tobacco. In 2021, Malaysia's exports of food, beverages and tobacco totalled RM41.19 billion (2020: RM36.38 billion) while Malaysia's imports of food, beverages and tobacco stood at RM66.28 billion (2020: RM58.10 billion). As such, a trade deficit of RM 25.09 billion was recorded for food, beverages and tobacco in 2021.

The local food and beverages industry has also continued to attract the attention of investors. In 2020, 111 (2019: 87) food processing and beverage projects with investments worth RM5.1 billion (2019: RM3.37 billion) were approved by the Malaysian Government. In the period of January to September 2021, approved investment in food manufacturing amounted to RM4.6 billion.

With uncertainty still in the severity and length of the COVID-19 pandemic, working-from-home arrangement becoming a norm and stay-at-home becoming a new trend due to the COVID-19, which resulting in at-home consumption surging than dine-outs. This factor is likely to have caused weak performance in the food and beverages services in Malaysia, where revenue generated from food and beverages services in Malaysia decreased 10.0% from RM56.43 billion in 2020 to RM50.80 billion in 2021.

There is also a rising trend in the distributive trade for food, beverages and tobacco. The wholesale of food, beverages and tobacco in Malaysia increased 6.0% from RM120.62 billion in 2020 to RM127.83 billion in 2021. The retail sale of food, beverages and tobacco in specialised stores in Malaysia increased 5.1% from RM32.75 billion in 2020 to RM34.42 billion in 2021.

The local food and beverage industry is expected to continue relying heavily on imports to fulfil local demand in 2022. The advent of COVID-19 pandemic has triggered the Malaysian Government to take the necessary measures in addressing the food supply chain disruptions issues accounting to heavy reliance on imports as well as food security issue. A specific action plan to strengthen national food security has been developed taking into account issues and challenges along the food supply chain ranging from agricultural inputs to food waste. The National Food Security Policy (DSMN Action Plan) 2021-2025 covering 5 core strategies, 15 strategies and 96 initiatives will ensure the sustainability of the country's food supply at all times, especially in the face of unexpected situations.

Moving forward, the domestic demand and consumers' future spending on food and beverages is likely to remain positive for the remainder of 2022 in parallel with the gradual recovery in the local economy. The use of e-commerce platforms has also been gaining traction during the COVID-19 outbreak. This trend is beneficial to the local food and beverages industry as e-commerce platform is a distribution channel that can facilitate the online viewing and purchasing of food and beverage products at any time with no or minimal physical contact involved. In addition, it is proposed that service tax for food and delivery services are to be exempted under Budget 2022 and will likely result in more local eateries and food business operators to transform and embrace digital marketplaces, hence increase spending for online food delivery services. As such, the local food and beverages industry is expected to maintain positive growth in 2022.

(Source: Independent Market Researcher's report by Protégé)

4.3 Future prospects of our Group

In the past, our Group mainly focused on canned products where it has been a major contributor to our Group's revenue. Since 2016, we have made considerable efforts to gradually enhance our product mix and product range towards improving the beverage and biscuit production lines so as to further expand our product offerings and our revenue. Our Group had introduced cream biscuits under the name of MOMBO in 2016, new drink products such as Rexberry in 2016 as well as Rexcoco Chocolate Malt and Rex Energy in 2017.

In view of the increasing consumer demand for beverage products with smaller serving sizes, our Group intends to install additional beverage production lines to expand our offering of beverages with smaller sized servings to such target market. Accordingly, part of the proceeds from the Proposed Rights Issue with Warrants has been earmarked for installing additional beverage production lines that caters for the production of beverage serving size of between 200 millilitres to 1.0 litres per unit. The production lines shall include, amongst others, beverage filling machineries, heat preservation tank, water tank, acid tank, alkali tank, sterilisation machine, homogeniser, steam boiler, cooling tower, air compressor, polyurethane panel and other utility system. Furthermore, the allocation of proceeds raised from the Proposed Rights Issue with Warrants for our Group's working capital requirement is expected to enhance our liquidity and cash flow available to fund our raw materials costs as well as allow our Group to intensify promotional efforts for our beverage and biscuits products.

The outbreak of COVID-19 has resulted in high uncertainties in the global and domestic economic and financial conditions, and any prolonged impact of the pandemic will only cause greater uncertainties to the global and domestic markets. In this regard, it is undeniable that the pandemic has also affected our Group especially during the MCO period whereby there were disruptions to our Group's operations (i.e. halted/ reduced).

Our Board takes cognisance that the effects of COVID-19 pandemic are still prevalent in the Malaysian economy and the manufacturing industry. There is no assurance that a resurgence of COVID-19 cases and/ or the emergence of new COVID-19 variants will not adversely impact the manufacturing industry in Malaysia and in turn, our Group's operations and financial position. Notwithstanding the above, our Board is in anticipation of a gradual recovery of the Malaysian economy and manufacturing industry, supported by the nationwide COVID-19 vaccination programme and ongoing stimulus packages and economic assistance, such as Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) and PEMERKASA, and as more economic and social sectors resume operations at full capacity as set out in **Sections 4.1** and **4.2** of this Circular. Notwithstanding the above, our Group has gradually increased the production volume of both food and beverage products with strict standard operating procedures put into place.

Accordingly, our Board will continue to monitor the status and progress of COVID-19 and shall endeavour, to the extent possible, to review the performance and progress of our Group's operations and financial performance as well as introduce measures to minimise the operating costs where required. Through this, our Group seek to reassess the monthly expenditure vis-à-vis their financial budget and performance as well as implement certain cost control measures throughout certain divisions or operations to offset any foreseeable potential loss of revenue.

Barring any unforeseen circumstances, after having considered all the relevant aspects including the current business operations and production, the abovementioned prospects and the food and beverage industry outlook, the Proposed Rights Issue with Warrants is expected to place our Group in a better financial footing moving forward as well as deliver greater value to the shareholders of our Company.

(Source: Management of Rex)

5. EFFECTS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The pro forma effects of the Proposed Rights Issue with Warrants on our Group's issued share capital, NA, gearing, substantial shareholders' shareholdings and earnings and EPS are as follows:-

5.1 Issued share capital

The pro forma effects of the Proposed Rights Issue with Warrants on the issued share capital of our Company are as follows:-

	No. of Rex Shares	RM
Issued share capital as at the LPD	493,252,936	97,903,444
Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants	164,417,645	16,441,765 ^{*1}
	657,670,581	114,345,209
Shares to be issued arising from the full exercise of Warrants	54,805,881	9,317,000 ^{*2}
Enlarged issued share capital	712,476,462	123,662,209

Notes:-

^{*1} Computed based on the indicative issue price of RM0.10 per Rights Share

^{*2} Computed based on the indicative exercise price of RM0.17 per Warrant

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5.2 NA per Share and gearing level

For illustration purposes only, the pro forma effects of the Proposed Rights Issue with Warrants on the audited consolidated NA and gearing of our Group as at 30 June 2021 are as follows:-

	Audited as at 30 June 2021 RM'000	I After the Proposed Rights Issue with Warrants* ¹ RM'000	II After I and assuming full exercise of Warrants* ³ RM'000
Share capital	97,903	114,345	123,662
Translation reserve	(4,936)	(4,936)	(4,936)
Retained earnings	34,437	33,877 ²	33,877
Shareholders' equity/ NA	127,404	143,286	152,603
No. of shares in issue ('000)	493,253	657,671	712,476
NA per share (RM)	0.26	0.22	0.21
Total borrowings	29,991	29,991	29,991
Gearing ratio (times)	0.24	0.21	0.20

Notes:-

*¹ Computed based on the subscription of 164,417,645 Rights Shares at the indicative issue price of RM0.10 per Rights Share pursuant to the Proposed Rights Issue with Warrants

*² After deducting the estimated expenses of approximately RM0.56 million in relation to the Proposed Rights Issue with Warrants

*³ Assuming 54,805,881 Warrants are exercised at the indicative exercise price of RM0.17 per Warrant

5.3 Earnings and EPS

The Proposed Rights Issue with Warrants, which is expected to be completed by the third quarter of 2022, is not expected to have any material effect on the earnings and EPS of our Group for the FYE 30 June 2022. However, there will be a dilution in the EPS of our Group for the FYE 30 June 2023 due to the increase in the number of Shares in issue arising from the Proposed Rights Issue with Warrants. Notwithstanding that, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of our Group in the ensuing financial year(s) via the utilisation of the proceeds as set out in **Section 2.8** of this Circular.

5.4 Substantial shareholdings structure

The pro forma effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings are as follows:-

	Shareholdings as at the LPD				I After the Proposed Rights Issue with Warrants			
	<-----Direct-----> No. of Rex Shares		<-----Indirect-----> No. of Rex Shares		<-----Direct-----> No. of Rex Shares		<-----Indirect-----> No. of Rex Shares	
	% ^{*1}		% ^{*1}	% ^{*2}		% ^{*2}		% ^{*2}
DTSB	130,732,800	26.5	-	-	174,310,400	26.5	-	-
DK	62,549,704	12.7	130,732,800 ^{*4}	26.5	83,399,605	12.7	174,310,400 ^{*4}	26.5

	II After I and full exercise of Warrants			
	<-----Direct----->		<-----Indirect----->	
	No. of Rex Shares	% ^{*3}	No. of Rex Shares	% ^{*3}
DTSB	188,836,266	26.5	-	-
DK	90,349,571	12.7	188,836,266 ^{*4}	26.5

Notes:-

^{*1} Based on the total issued shares of 493,252,936 of our Company as at the LPD

^{*2} Based on the total issued shares of 657,670,581 of our Company after the Proposed Rights Issue with Warrants

^{*3} Based on the total issued shares of 712,476,462 of our Company after the full exercise of Warrants

^{*4} Deemed interested pursuant to Section 8 of the Act by virtue of his interest in DTSB

5.5 Convertible securities

As at the date of the LPD, our Company does not have any existing convertible securities.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Rex Shares as traded on Bursa Securities for the past 12 months from April 2021 to March 2022 are set out below:-

	High RM	Low RM
2021		
April	0.248	0.203
May	0.238	0.184
June	0.273	0.198
July	0.258	0.213
August	0.248	0.223
September	0.253	0.228
October	0.258	0.228
November	0.300	0.220
December	0.240	0.220
2022		
January	0.250	0.200
February	0.230	0.200
March	0.200	0.185

Last transacted market price of Rex Shares as at 27 January 2022
(being the latest trading day prior to the announcement on the
Proposed Rights Issue with Warrants) 0.215

Last transacted market price on the LPD 0.200

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED

The Proposed Rights Issue with Warrants are subject to the following approvals being obtained:-

- (i) Bursa Securities, for the following:-
 - (a) admission of the Warrants to the official list of Bursa Securities;
 - (b) listing and quotation for 164,417,645 Rights Shares and 54,805,881 Warrants pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities; and
 - (c) listing and quotation for 54,805,881 new Rex Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities,

the approval of which has been obtained vide Bursa Securities' letter dated 4 April 2022 subject to the following conditions:-

	Conditions	Status of compliance
(a)	Rex and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;	To be complied
(b)	Rex is required to furnish Bursa Securities with certified true copy of the resolution passed by the shareholders of Rex at the EGM approving the Proposed Rights Issue with Warrants;	To be complied
(c)	Rex and UOBKH are required to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;	To be complied
(d)	Rex is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed;	To be complied
(e)	Rex and UOBKH are required to furnish Bursa Securities with a written confirmation that the terms of the Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements; and	To be complied
(f)	Payment of additional listing fees pertaining to the exercise of Warrants, if relevant. In this respect, Rex is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied
(ii)	shareholders of our Company for the Proposed Rights Issue with Warrants at our forthcoming EGM; and	
(iii)	any other relevant authorities and/ or parties, if required.	

The Proposed Rights Issue with Warrants are not conditional upon any other proposal undertaken or to be undertaken by our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive of our Company and/ or persons connected with them have any interest, whether direct and/ or indirect, in the Proposed Rights Issue with Warrants, save for their respective entitlements under the Proposed Rights Issue with Warrants, to which all Entitled Shareholders are similarly entitled.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the Proposed Rights Issue with Warrants including but not limited to the rationale and effects of the Proposed Rights Issue with Warrants as well as the utilisation of the proceeds raised from the Proposed Rights Issue with Warrants, is of the opinion that the Proposed Rights Issue with Warrants are in the best interests of our Company.

Accordingly, our Board recommends that you **vote in favour** of the resolution pertaining to the Proposed Rights Issue with Warrants at the forthcoming EGM.

10. ESTIMATED TIME FRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposed Rights Issue with Warrants to be completed by the third quarter of 2022.

The tentative timetable in relation to the Proposed Rights Issue with Warrants is set out below:-

Month	Events
27 May 2022	<ul style="list-style-type: none">• EGM for the Proposed Rights Issue with Warrants
Early July 2022	<ul style="list-style-type: none">• Announcement on the price-fixing of issue price for Rights Shares and exercise price for the Warrants• Announcement of the Entitlement Date of the Proposed Rights Issue with Warrants
Mid July 2022	<ul style="list-style-type: none">• Entitlement Date• Issuance of Abridged Prospectus, Rights Subscription Form and Notice Provisional Allotment for the Proposed Rights Issue with Warrants
Early August 2022	<ul style="list-style-type: none">• Closing date of the application and acceptance for the Rights Shares with Warrants
Mid August 2022	<ul style="list-style-type: none">• Listing and quotation of the Rights Shares and Warrants on the Main Market of Bursa Securities

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Rights Issue with Warrants, which is the subject matter of this Circular, our Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD.

12. EGM

The EGM, notice of which is enclosed in this Circular, is scheduled to be held at the Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Friday, 27 May 2022 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Rights Issue with Warrants.

If you are unable to personally participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy shall not preclude you from personally participating, speaking and voting in person at the EGM should you subsequently wish to do so provided a notice of termination of proxy authority in writing is given to our Company not less than 24 hours before the commencement of the meeting or adjournment thereof, and you register for the EGM.

13. FURTHER INFORMATION

Shareholders of our Company are advised to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of our Board
REX INDUSTRY BERHAD

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN
Chairman/ Independent Non-Executive Director

APPENDIX I – ADDITIONAL INFORMATION

1. Financial position of our Group

The financial summary of our Group based on the audited results for the past 3 financial years up to the FYE 30 June 2021 and the latest unaudited quarterly results for the 6-month FPE 31 December 2021, is set out below:-

	<-----Audited----->			<--Unaudited-->
	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	FYE 30 June 2021 RM'000	6-month FPE 31 December 2021 RM'000
Revenue	136,608	149,245	160,539	80,709
PBT/ (LBT)	(14,317)	(8,396)	3,912	1,923
PAT/ (LAT) attributable to owners of our Company	(13,297)	(9,465)	2,603	1,430
EPS/ (LPS) (sen)	(5.39)	(3.84)	0.68	0.29
Total interest-bearing borrowings	36,472	43,451	29,991	29,472
Cash and cash equivalents	10,204	6,854	14,628	9,632
Net cash generated from/ (used in) operating activities	(15,126)	16,903	(1,387)	(278)
Shareholders' funds/ NA	113,672	101,891	127,404	128,603
Weighted average no. of Shares outstanding ('000)	246,626	246,626	380,413	493,252
NA per Share (RM)	0.46	0.41	0.33	0.26
Gearing ratio (times)	0.32	0.43	0.24	0.23

FYE 30 June 2019

For the FYE 30 June 2019, our Group recorded revenue of RM136.61 million which represents an increase of approximately RM6.29 million or 4.83% as compared to the preceding financial year of RM130.32 million. The increase in revenue is mainly attributable to our Company's Indonesian subsidiary that experienced an upsurge in demand of canned products in the overseas market.

Our Group recorded LBT of RM14.32 million which represents a decrease of approximately RM0.78 million or 5.17% as compared to the LBT of the preceding financial year of RM15.10 million. The decrease in LBT was mainly attributable to the following:-

- i. better margins achieved from increased sales of canned products to the overseas market as compared to the preceding financial year;
- ii. lower maintenance and repair costs of RM0.86 million as a result of lower incidence of machinery breakdown during the financial year under review; and
- iii. lower marketing expenditure of RM2.76 million incurred in the financial year under review as certain of our Company's core canned products have gained acceptance in the market.

FYE 30 June 2020

For the FYE 30 June 2020, our Group recorded revenue of RM149.25 million which represents an increase of approximately RM12.64 million or 9.25% as compared to the preceding financial year of RM136.61 million. The increase in revenue is mainly attributable to our Company's higher sale of canned products as a result of high demand in the overseas market.

APPENDIX I – ADDITIONAL INFORMATION (CONT'D)

Our Group recorded LBT of RM8.40 million which represents a decrease of approximately RM5.92 million or 41.34% as compared to the LBT of the preceding financial year of RM14.32 million. The decrease in LBT was mainly attributable to the following:-

- i. better margins achieved from the higher sale of canned products to the overseas market as compared to the preceding financial year; and
- ii. lower other expenses recorded of RM28.38 million for the FYE 30 June 2020 which represents a decrease of RM2.85 million or 9.13% as compared to RM31.23 million for the FYE 30 June 2019. The decrease was mainly due to the following:-
 - a. a reduction in our Group's marketing expenses of RM1.97 million from RM2.76 million to RM0.79 million, following market acceptance of some of our canned products, such as tuna, squid and sardines, during the financial year under review;
 - b. lower rental of premises of RM0.57 million for the FYE 30 June 2020, which represents a decrease of RM0.50 million or 46.73% as compared to RM1.07 million for the FYE 30 June 2019, primarily due to the acquisition of the Batu Pahat Property for a total consideration of RM13,000,000 satisfied entirely by cash ("**Acquisition**"), which was completed in December 2019. For avoidance of doubt, 1 of the 3 industrial buildings located on the Batu Pahat Property had been rented by our Group prior to the Acquisition; and
 - c. cost savings of RM0.71 million arising from our Group retrofitting our production facilities to utilise cheaper natural gas as opposed to fuel oil.

FYE 30 June 2021

For the FYE 30 June 2021, our Group recorded revenue of RM160.54 million which represents an increase of approximately RM11.29 million or 7.56% as compared to the preceding financial year of RM149.25 million. The increase in revenue is mainly attributable to the higher revenue contribution from the Indonesia subsidiary namely P.T. Rex Canning, as a result of an increase in our Group's sales volume of canned products to the overseas market.

Our Group recorded PBT of RM3.91 million as compared to the LBT of the preceding financial year of RM8.40 million. The PBT was mainly attributable to the following:-

- i. absence of provision for credit loss on trade receivables (FYE 30 June 2020: RM1.36 million) and other receivables (FYE 30 June 2020: RM0.17 million) as well as inventory obsolescence (FYE 30 June 2020: RM 2.26 million); and
- ii. higher profit achieved by P.T. Rex Canning as a result of the abovementioned increase in our Group's sales volume of canned products to the overseas market.

6-month FPE 31 December 2021

For the 6-month FPE 31 December 2021, our Group recorded revenue of RM80.71 million which represents a decrease of approximately RM2.25 million or 2.71% compared to the preceding financial period of RM82.96 million. The decrease in revenue was mainly due to lower sales from an overseas subsidiary as a result of shortage of containers and deferment of shipment in export sales during the 6-month FPE 31 December 2021.

Our Group recorded a PBT of RM1.92 million which represents a decrease of approximately RM0.42 million or 17.95% as compared to the PBT of the preceding financial period of RM2.34 million. The decrease in PBT was mainly attributable to the abovementioned lower sales recorded from an overseas subsidiary, increase in raw material & packaging cost and higher freight charges for export sales during the 6-month FPE 31 December 2021.

APPENDIX I – ADDITIONAL INFORMATION (CONT'D)

2. Value creation and impact of the Proposed Rights Issue with Warrants to our Group and our shareholders

As set out in **Section 2.8** of this Circular, the proceeds raised from the Proposed Rights Issue with Warrants will mainly facilitate our Group to finance the business expansion and the working capital requirements for growing our Group's existing business without relying solely on internally generated funds and/ or bank borrowings, which will allow our Group flexibility in respect of financial allocations for our operational requirements. Such financial flexibility may allow our Group to carry out our operations in a more timely and efficient manner. With consumer demand driving more diversity/ variety of food and beverage products, installation of additional production lines will be able to cater for the expansion of our manufacturing production capacity and product mix for our beverage and biscuit segment and to produce more variety of volumes/ sizes of food and beverage products to meet the demand from the different target market of our Group.

In view of the current global economic conditions as a result of the COVID-19 pandemic coupled with the present financial situation of our Group, the proceeds raised from the Proposed Rights Issue with Warrants will alleviate our Group's cash flow constraints in financing our working capital requirements. The proceeds will be utilised for the working capital of our Group which includes purchase of raw materials, sales and marketing expenses and other operating expenses. Accordingly, the allocation of proceeds raised from the Proposed Rights Issue with Warrants for our Group's working capital requirement is expected to enhance our liquidity and cash flow available to fund our raw materials costs as well as allow our Group to intensify promotional efforts for our beverage and biscuits products.

Based on the above, our Board is of the view that the intended utilisation of the proceeds from the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of our Group and in turn, this would lead to an improvement in our Group's financial position and enhancement in shareholders' value.

The effects of the Proposed Rights Issue with Warrants on the issued share capital, substantial shareholding structure, the NA and gearing, earnings and EPS of our Group are disclosed in **Section 5** of this Circular.

Based on the indicative issue price of RM0.10 per Rights Share, the Proposed Rights Issue with Warrants is expected to raise gross proceeds of RM16.44 million. The Proposed Rights Issue with Warrants is expected to result in the following effects:-

	Audited as at 30 June 2021	I After the Proposed Rights Issue with Warrants	II After I and assuming full exercise of Warrants
Issued capital share	RM97,903,444 comprising 493,252,936 Rex Shares	RM114,345,209 comprising 657,670,581 Rex Shares ^{*1}	RM123,662,209 comprising 712,476,462 Rex Shares ^{*2}
Current assets	RM103.44 million	RM119.32 million ^{*1}	RM129.19 million ^{*2}
Current liabilities	RM55.32 million	RM55.32 million	RM55.32 million
Current ratio	1.87 times	2.16 times	2.34 times
NA	RM127.40 million	RM143.29 million ^{*1}	RM152.60 million ^{*2}
NA per Share (RM)	0.26	0.22	0.21
Gearing ratio (times)	0.24	0.21	0.20

APPENDIX I – ADDITIONAL INFORMATION (CONT'D)

Notes:-

^{*1} Computed based on the subscription of 164,417,645 Rights Shares at the indicative issue price of RM0.10 per Rights Share pursuant to the Proposed Rights Issue with Warrants and after deducting the estimated expenses of approximately RM0.56 million in relation to the Proposed Rights Issue with Warrants

^{*2} Assuming 54,805,881 Warrants are exercised at the indicative exercise price of RM0.17 per Warrant

The Proposed Rights Issue with Warrants, which is expected to be completed in the third quarter of 2022, is not expected to have any material effect on the earnings and EPS of our Group for the FYE 30 June 2022. However, there will be a dilutive effect on the EPS of our Group for the FYE 30 June 2022 due to the increase in the number of Rex Shares in issue pursuant to the Proposed Rights Issue with Warrants. Notwithstanding that, the proceeds from the Proposed Rights Issue with Warrants are expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

3. Adequacy of the Proposed Rights Issue with Warrants in addressing our Group's financial concerns and steps taken to improve the financial condition of our Group

For the latest 6-month FPE 31 December 2021, our Group's cash and cash equivalents (excluding bank overdrafts) stood at RM9.55 million. In addition, our Group recorded improving revenue from RM136.61 million, RM149.25 million and RM160.54 million for the past 3 financial years up to the FYE 30 June 2021, respectively and RM80.71 million for the latest 6-month FPE 31 December 2021.

Notwithstanding the loss position recorded by our Group in the FYE 30 June 2019 and FYE 30 June 2020 of RM14.32 million and RM8.40 million respectively, our Group has managed to turnaround and improve our earnings as evident from the PBT of RM3.91 million and RM1.92 million recorded in the FYE 30 June 2021 and the latest 6-month FPE 31 December 2021, respectively, as a result of higher revenue and earnings contribution from our Indonesia subsidiary namely P.T. Rex Canning.

Pursuant to the Proposed Rights Issue with Warrants, our Group has earmarked approximately RM10.00 million of the proceeds from the Proposed Rights Issue with Warrants to finance the installation of additional beverage production lines that caters for the production of beverage serving size of between 200 millilitres to 1.0 litres per unit. Further, it is anticipated that as our Group expands our manufacturing and distribution of beverages and biscuits business segment, it will from time to time require more funding for the increasing working capital requirements of our enlarged operations. As such, to support the intended growth of the business segment, our Board has earmarked up to approximately RM5.88 million of the proceeds from the Proposed Rights Issue with Warrants to fund our working capital requirements accordingly.

Premised on the above, and as part of our Group's objective to improve its overall financial performance moving forward, the Proposed Rights Issue with Warrants will, on an immediate basis, allow our Group to raise funds on an expeditious manner to improve the market share of its products. Barring any unforeseen circumstances, our Board is of the view that the Proposed Rights Issue with Warrants are expected to place our Group on a better financial footing and potentially generate positive returns to our Group, and in turn be adequate to improve the financial condition of our Group as well as to grow and further improve the financial performance of our Group moving forward. In the long term, our Board will continue to assess our Group's funding requirements which may include the need of carrying out other corporate proposals, after taking into consideration our Group's capital structure and cost of funds.

APPENDIX II – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the completeness and accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Rights Issue with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Protégé, being the Independent Market Researcher for the Proposed Rights Issue with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion of its name, report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH and Protégé have given their written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to their respective roles as the Adviser and Independent Market Researcher to our Company for the Proposed Rights Issue with Warrants.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

5. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

6. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

APPENDIX II – FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at Plot 126, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang, during normal business hours (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:-

- i. Constitution of our Company;
- ii. Audited consolidated financial statements of our Group for the past two 2 financial years up to the FYE 30 June 2021 and the latest unaudited consolidated financial statements of our Group for the 6-month FPE 31 December 2021;
- iii. The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** of this Appendix II;
- iv. The Independent Market Researcher's report prepared by Protégé dated 1 April 2022;
- v. The draft Deed Poll; and
- vi. The undertaking letter from the Undertaking Shareholder dated 28 January 2022.



REX INDUSTRY BERHAD

(Registration No. 199301027926 (282664-K))

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of Rex Industry Berhad ("**Rex**" or the "**Company**") will be held at the Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Friday, 27 May 2022 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 164,417,645 NEW ORDINARY SHARES IN REX ("REX SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 3 EXISTING REX SHARES HELD, TOGETHER WITH 54,805,881 FREE DETACHABLE WARRANTS IN REX ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 3 RIGHTS SHARES SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

"**THAT**, the approvals of all relevant authorities and/ or parties (if required) being obtained, where required, approval be and is hereby given to the Board of Directors of Rex ("**Board**") for the following:-

- (i) to provisionally allot and issue by way of a renounceable rights issue of 164,417,645 Rights Shares together with 54,805,881 Warrants to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, on the basis of 1 Rights Share for every 3 existing Rex Shares held;
- (ii) to issue such Rights Shares together with Warrants as may be required to give effect to the Proposed Rights Issue with Warrants, including any persons entitled on renunciation of the provisional allotments;
- (iii) to determine the final issue price of the Rights Shares and the final exercise price of the Warrants after taking into consideration the basis and justification for determining such prices, as set out in the circular to the shareholders dated 25 April 2022 ("**Circular**");
- (iv) wherein each of the Warrant will carry the right to subscribe, subject to any adjustment in accordance with the deed poll constituting the Warrants ("**Deed Poll**"), at any time during the exercise period, for 1 new Rex Share at an exercise price to be determined and fixed at a later date by the Board;
- (v) to allot and issue such number of new Rex Shares arising from the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll;
- (vi) to allot and issue such further Warrants and new Rex Shares arising from the exercise of such further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities; and

- (vii) to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Rights Shares and Warrants.

THAT any Rights Shares together with Warrants which are not taken up shall be made available for excess applications to the entitled shareholders and/ or their renouncee(s) who have applied for the excess Rights Shares with Warrants, and are intended to be allocated on a fair and equitable basis;

THAT any fractional entitlements of the Rights Shares together with Warrants arising from the Proposed Rights Issue with Warrants, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient, and is in the best interests of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised as set out in the Circular, and the Board be and is hereby authorised with full power to vary the manner and/or purposes of utilisation of such proceeds in such manner as the Board, may at its absolute discretion, deem fit, necessary, expedient and/ or in the best interest of the Company, subject to the approval of the relevant authorities, where required;

THAT the Rights Shares will, upon allotment and issuance, rank equally in all respects with the existing Rex Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to or on the date of allotment of the Rights Shares;

THAT the Board be and is hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/ or undertakings with any party or parties, do all things as may be required to give effect to the Proposed Rights Issue with Warrants with full powers to assent to any conditions, variations, modifications and/ or amendments including to vary the manner and/ or the purpose of the utilisation of proceeds arising from the Proposed Rights Issue with Warrants, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/ or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants in the best interest of the Company;

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Rights Shares together with Warrants to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants."

By order of the Board

CHUA SIEW CHUAN (MAICSA 0777689/ SSM PC NO.: 201908002648)

YEOW SZE MIN (MAICSA 7065735/ SSM PC No.: 201908003120)

Company Secretaries

Kuala Lumpur

25 April 2022

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 May 2022 shall be eligible to attend, participate, speak and vote at the Meeting or appoint proxy(ies) to attend, participate, speak and vote in his stead.*
2. *A member entitled to attend and vote at the Meeting may appoint more than one (1) proxy to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy to attend, participate, speak and vote at the same Meeting, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the member to attend, participate, speak and vote at the Meeting.*

3. *The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing, or if the member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.*

Please refer to the Administrative Guide on the Conduct of a Physical General Meeting available for download at www.rexmalaysia.com/bursa_column.aspx for further details.

FORM OF PROXY

No. of Ordinary Shares held	
CDS Account No.	
Telephone No.	
Email Address	



REX INDUSTRY BERHAD

(Registration No. 199301027926 (282664-K))
(Incorporated in Malaysia)

*I/ We _____ *NRIC/ Passport No./ Registration No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being *a member / members of **REX INDUSTRY BERHAD (199301027926 (282664-K))** ("**Rex**" or the "**Company**")

hereby appoint (Proxy 1) _____
(FULL NAME IN BLOCK CAPITAL)

*NRIC No./ Passport No. _____ of _____
(FULL ADDRESS)

Contact No. _____ Email _____

*and/ or failing *him/ her (Proxy 2) _____
(FULL NAME IN BLOCK CAPITAL)

*NRIC No./ Passport No. _____ of _____

_____ (FULL ADDRESS)

Contact No. _____ Email _____

*or failing *him/ her, THE CHAIRMAN OF THE MEETING as *my/ our proxy(ies) to participate, speak and vote for *me/ us on *my/ our behalf at the Extraordinary General Meeting of the Company to be held at the Kuala Lumpur Golf & Country Club, 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan on Friday, 27 May 2022 at 10.00 a.m. or at any adjournment thereof.

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

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		

*I/ We hereby indicate with an "X" in the spaces provided how *I/ we wish *my/ our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED RIGHTS ISSUE WITH WARRANTS		

* Strike out whichever is inapplicable

Signed this _____ day of _____ 2022

Signature(s) of Member(s)

Common Seal to be affixed here if Member(s) is a corporation (if applicable)

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 May 2022 shall be eligible to attend, participate, speak and vote at the Meeting or appoint proxy(ies) to attend, participate, speak and vote in his stead.



2. *A member entitled to attend and vote at the Meeting may appoint more than one (1) proxy to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy to attend, participate, speak and vote at the same Meeting, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the member to attend, participate, speak and vote at the Meeting.*
3. *The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing, or if the member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, must be deposited at the office of the Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.*

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AFFIX
STAMP

The Share Registrar
REX INDUSTRY BERHAD
(Registration No. 199301027926 (282664-K))
c/o Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur,
Wilayah Persekutuan

2nd Fold Here

Fold This Flap For Sealing