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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the shareholders of Rex Industry Berhad will be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuhraya Seberang Jaya, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 28 June 2011 at 10.00 a.m.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)
2. To approve the payment of Directors' fees totaling RM99,000.00 for the year ended December 2010. (Ordinary Resolution 2)
3. a) To re-elect the following Directors retiring pursuant to Article 69 of The Company's Articles Association and who, being eligible offer themselves for re-election.
 - i) Mr. Lee Chak Hiang (Ordinary Resolution 3)
 - ii) Ms Lee Siew Boy (Ordinary Resolution 4)b) To re-elect the following Directors retiring pursuant Article 64 of the Company's Articles of Association and who, being eligible offer themselves for re-election.
 - i) Ms Tang Yin Kham (Ordinary Resolution 5)
 - ii) Mr. Mohd Faisal Izan bin Abdul Latiff (Ordinary Resolution 6)
4. To re-appoint Messrs. KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

As Special Business

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

Authority to issue shares

(Ordinary Resolution 8)

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

- 6 To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and companies Act, 1965.



Notice Of Annual General Meeting (Continued)

By order of the Board

KELSOM BEE BINTI ALI LS 03815
Company Secretary
Penang

Date: 3 June 2011

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1) (b) of the Act shall not apply to the Company.
2. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at the Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Pulau Pinang, not less than fortyeight (48) hours before the time fixed for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to attend and to vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.
4. Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

EXPLANATORY NOTES ON SPECIAL BUSINESS

The proposed Ordinary Resolution 8 is a renewal of the general authority for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965. If passed, it will empower the Directors of the Company, from the conclusion of this Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued and paid-up capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

As at the date of this Notice, the Company has not issued any new shares under the general authority which was approved at the Sixteenth Annual General Meeting held on 29 June 2010 and which will lapse at the conclusion of the Seventeenth Annual General Meeting to be held on 28 June 2011.

The general authority to issue shares will allow the Company to take advantage of any strategic opportunities, including but not limited to, issuance of new shares for purpose of funding investment project(s), working capital and/or acquisitions which require new shares to be allotted and issued speedily and would also save the cost involved in convening a general meeting to approve such issuance of shares.



Statement Accompanying Notice Of Annual General Meeting

1. Directors who are standing for re-election
 - a) Pursuant to Article 69 of the Company's Articles of Association
 - i) Mr. Lee Chak Hiang
 - ii) Ms. Lee Siew Boy
 - b) Pursuant to Article 64 of the Company's Articles of Association
 - i) Ms. Tang Yin Kham
 - ii) Mr. Mohd Faisal Izan Bin Abdul Latiff

2. Details of attendance of Directors at Board Meeting

There were five Board Meeting held during the financial year ended 31 December 2010 and the attendance of the Directors are set out on page 9 of the 2010 Annual Report.

3. Date and Time of Board Meetings

During the financial year ended 31 December 2010 a total of Six (6) Board Meeting were held and the date and time of the Board Meetings held was as follows :

Date of Meeting	Time
24 February 2010	11.30 a.m.
28 April 2010	12.00 p.m.
31 May 2010	12.00 p.m.
29 June 2010	12.00 p.m.
30 August 2010	11.30 a.m.
29 November 2010	12.00 p.m.

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

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

Date : 28 June 2011

Time : 10.00 a.m.

5. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Profile of Directors on pages 6 to 7 of the Annual Report.



BOARD OF DIRECTORS

- Dato' Abdul Rashid Bin Ismail - CHAIRMAN
- Lee Hee Thiam - MANAGING DIRECTOR
- Lee Hee Hong
- Lee Sew Keng
- Tang Yin Kham
- Mohd Faisal Izan Bin Abdul Latiff
- Lee Soo Keat
- Lee Chak Hiang (Appointed on 10 January 2011)
- Lee Siew Boy (Appointed on 10 January 2011)

SECRETARY

- Kelsom Bee Binti Ali

AUDIT COMMITTEE

- Dato' Abdul Rashid Bin Ismail - CHAIRMAN
- Mohd Faisal Izan Bin Abdul Latiff
- Tang Yin Kham

AUDITORS

- KPMG, Penang

STOCK EXCHANGE LISTING

- Main Market of the Bursa Malaysia Securities Berhad

BANKERS

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

SOLICITORS

- KC Lee and Partners

REGISTERED OFFICE

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

REGISTRARS

- Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 603 7841 8000
Fax : 603 7841 8151



Dato' Abdul Rashid Bin Ismail

Chairman , Non-Executive Independent Director

Dato' Abdul Rashid Bin Ismail, aged 68, a Malaysian, is the Chairman and a non-executive director. He is also the Chairman of the Audit Committee. He is a politician and has been a Senator in the Dewan Rakyat from 1991 to 1996. Prior to being a Senator, he was a Councillor of the Penang Municipality Council from 1987 to 1990. He also represents Yayasan Bumiputera Pulau Pinang as nominee director on several of the Yayasan's subsidiaries. He is the Chairman of Yayasan Bina Ilmu Pulau Pinang. Dato' Abdul Rashid Bin Ismail was appointed as Chairman and Board of the company on 26 August 1995. He also holds directorships in several other private limited companies.

Lee Hee Thiam

Executive Non-Independent Director

Mr. Lee Hee Thiam, aged 53, a Malaysian, has been the Group Managing Director of the company since 26 August 1995. He was the Managing Director for Rex Canning Co Sdn Bhd from 1990 and the General Manager of the same company from 1985. After obtaining his Degree in Accountancy and Master Degree in Finance from Louisiana State University in USA, he joined Rex Canning in 1983. He also sits on the Board of the company's subsidiaries and several other private limited companies.

Lee Hee Hong

Executive Non-Independent Director

Mr. Lee Hee Hong, aged 50, a Malaysian, has been the executive director of the company since 26 August 1995. He is the General Manager of the Rex Canning Co Sdn Bhd since 1990. He joined the company in 1986, upon graduating from Louisiana State University in USA with a Degree in Electrical Engineering. He also sits on the Board of the company's subsidiaries and several other private limited companies.

Lee Sew Keng

Executive Non-Independent Director

Ms. Lee Sew Keng, aged 55, a Malaysian. She has been with the Rex Canning Co Sdn Bhd since 1978. She worked her way up from the production floor and has very good knowledge of the internal working of the Company. She has been the Executive Director of the Company since 26 August 1995 and she also sits on the Board of the company's subsidiaries and several other private limited companies

Lee Soo Keat

Executive Non-Independent Director

Mr. Lee Soo Keat, aged 35, a Malaysian, he is the executive director of the company. He was the marketing officer for Rex Canning Co Sdn Bhd from 2001 to 2002 and the manager of Fika Foods Corporation Sdn Bhd since 2002. He graduated from Southern Illinois University, USA with a Bachelor of Marketing and Management. He was appointed to the Board of the company on 9 March 2010.

Lee Chak Hiang (Appointed on 10 January 2011)

Executive Non-Independent Director

Mr. Lee Chak Hiang, aged 51, a Malaysian, he is the executive director of the company. He is the Research and Development manager of Rex Canning Co.Sdn. Bhd. Since 1985 and the General Manager of the same company from 2003. He graduated from Chinese Culture University in Taiwan with a Bachelor of Science. He was appointed to the Board of the Company on 10 January 2011

Lee Siew Boy (Appointed on 10 January 2011)

Executive Non-Independent Director

Ms. Lee Siew Boy, aged 48, a Malaysian. She is the executive director of the company. She is the Administrative Manager of Rex Canning Co.Sdn. Bhd. Since 1989 and the Branch Manager of Rex Trading Sdn. Bhd. from 1999. She was graduated from Louisiana State University in USA with a Degree in Business Administration. She was appointed to the Board of the Company on 10 January 2011



Profile of Directors (Continued)

Tang Yin Kham

Non-Executive Independent Director

Ms. Tang Yin Kham aged 59, a Malaysian, was appointed to the Board of company on 11 March 1996. She is a partner of a Chartered Accountants firm in Malaysia and has thirty-four years of exposure in the public accounting sector. She is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified and Accountants, United Kingdom and the Chartered Tax Institute of Malaysia and a member of the Financial Planning Association of Malaysia. She also sits on the Board of Wong Engineering Corporation Berhad, Eonmetall Group Berhad and several private limited companies.

Mohd Faisal Izan Bin Abdul Latiff

Non-Executive Independent Director

Encik Mohd Faisal Izan Bin Abdul Latiff, aged 39, a Malaysian, was appointed to the Board of the company on 22 April 1996. He graduated from United Kingdom with a Bachelor of Accounting and Management Control. He is currently executive directors of several private limited companies.

Notes :

i)

Name of Director	Family Relationships	Convictions for Offences within the past 10 years other than Traffic Offences
1. Dato' Abdul Rashid Bin Ismail	None	N/A
2. Lee Hee Thiam	Brother of Lee Chai Seng, Lee Hee Hong and Lee Sew Keng	N/A
3. Lee Hee Hong	Brother of Lee Chai Seng, Lee Hee Thiam and Lee Sew Keng	N/A
4. Lee Sew Keng	Sister of Lee Chai Seng, Lee Hee Thiam and Lee Hee Hong	N/A
5. Tang Yin Kham	None	N/A
6. Mohd Faizal Izan Bin Abdul Latiff	None	N/A
7. Lee Soo Keat	Son of Lee Chai Seng	N/A
8. Lee Chak Hiang	None	N/A
9. Lee Siew Boy	Sister of Lee Chai Seng, Lee Hee Thiam, Lee Hee Hong and Lee Sew Keng	N/A

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

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



The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code of Corporate Governance respectively.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

Compliance statement

Except for the following, the Group has substantially complied with the best practices of the Code throughout the year. The reasons for such non-compliance are specified.

- The Board has not developed position descriptions for each member of the Board. The Board recognizes the importance for such a description and role identification and is taking action to adopt a Board Charter to implement them.
- The Board has not nominated a senior Independent Non-executive Director. Given the current composition of the Board where there is a strong independent element and the separation of the roles of Chairman and the Group Managing Director, the Board is of the opinion that such nomination is not necessary.
- A formal and written enterprise risk management framework has not been implemented. The Board, in its normal function and via the reports of the Audit Committee, has been able to identify business risks and ensure that these risks are being monitored and managed. The Board however recognises that a written and more structured risk management program is required and is taking steps to establish such a program.

Principles statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings : Board of Directors, Directors' remuneration, Shareholders and Accountability and audit.

A. Board of Directors

Board responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2010, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and the business plan and direction of the Group. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.



Corporate Governance Statement (Continued)

Details of each existing Director 's meeting attendances are as follows:

Name	Attendance
Dato' Abdul Rashid Bin Ismail	6 / 6
Lee Hee Thiam	6 / 6
Lee Hee Hong	5 / 6
Lee Sew Keng	5 / 6
Tang Yin Kham	6 / 6
Mohd Faisal Izan Bin Abdul Latiff	6 / 6
Lee Soo Keat	5 / 6
Lee Chak Hiang*	N/A
Lee Siew Boy*	N/A

* Appointed on 10 January 2011

Board Committees

The Board of Directors delegates certain responsibilities to the Audit Committee, in order to enhance business and operational efficiency as well as efficacy. The Audit Committee has written terms of reference and operating procedures, and the Board receives the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Board Balance

As at the date of this statement, the Board consists of nine (9) members; comprising one (1) independent non-executive Chairman, two (2) independent non-executive Directors and six (6) executive Directors. A brief profile of each Director is presented on pages 6 to 7 of this annual report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Bursa Malaysia Securities Berhad (BMSB). The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive Director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The independent non-executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the executive Directors. The non-executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the company to ensure a balance of authority and power. The Board is led by Dato' Abdul Rashid Bin Ismail as the independent non-executive Chairman and the executive management of the Company is led by Mr. Lee Hee Thiam, the Group Managing Director.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.



Supply of information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has also unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. In the event that the Company Secretary fails to fulfil her functions effectively, the terms of appointment permits her removal and appointment of a successor only by the Board as a whole.

Prior to the meetings of the Board and the Board Committees, Board papers which include the agenda and reports relevant to the issues of the meetings were circulated to all the Directors.

Directors' training

The Board as a whole recruits to the Board only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director and to contribute to the success of the Company. As at the date of this statement, all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). The Directors on their own also attended Continue Education Programmes ("CEP") in year 2009 which were organized by Inland Revenue Department, Malaysian Institute of Accountants, Federation of Manufactures of Malaysia and private training consultants. The Directors will continue to undergo other relevant training programmes including the CEP to further enhance their skills and knowledge where relevant.

Re-election

The Articles of Association provide that at the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one third shall retire from office. An election of Directors shall take place each year and all the Directors shall retire from office at least in each three (3) years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

The Company Secretaries will ensure that all information necessary is obtained, as well as all legal and regulatory obligations are met before appointments are made.

B. Directors' remuneration

Remuneration committee

The Remuneration Committee was established on 29 May 2002 and comprised the following members :-

Tang Yin Kham	-	Chairman, Non-Executive Independent Director
Mohd Faisal Izan Bin Abdul Latiff	-	Non-Executive Independent Director
Lee Hee Thiam	-	Executive Non-Independent Director

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration package for Executive Directors.

None of the executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive Directors with individual Director abstaining from deliberations and voting on decision in respect of his individual remuneration.



Corporate Governance Statement (Continued)

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the company and to align the interest of the directors with those of the shareholders.

Details of Directors' remuneration

The Company pays its Directors an annual fee which is approved annually by the shareholders. The breakdown of the Directors' remuneration for the financial year is as follows :-

	RM	RM	RM
Fees	-	99,000	99,000
Salaries	645,120	-	645,120
Bonuses	69,120	-	69,120
Others	-	6,100	6,100
Total	714,240	105,100	819,340

The Board is of the opinion that it is advisable not to detail out each Directors' remuneration. However, the remuneration paid or payable to Directors, analyzed into bands of RM 50,000 for the financial year ended 31 December 2008 are as follows:

	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 to RM100,000	1	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	1	-

C. Shareholders

The Company recognizes the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting (AGM), and Extraordinary General Meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible.

It has also been the Company's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least twenty one (21) days as appropriate before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year. In addition the company makes various announcements through the Bursa Securities in particular the timely release of the quarterly results within two months from the close of particular quarter. Copies of full announcement are applied to the shareholders and members of public upon request. Members of the public can also obtain the full financial results and the company announcement from Bursa Securities's website.



D. Accountability and audit

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment for the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements. The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of internal controls

The Statement on Internal Control furnished on page 17 of the annual report provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 14 to 16 of the annual report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 13 to 14 of the annual report.

E. Additional compliance information

Share buy-back

There were no Share buy-back by the Company during the financial year.

Option, warrants or convertible securities

No option, warrants or convertible securities were issued or exercised during the financial year.

Non-audit fees

There were no non-audit fees paid during the financial year save as disclosed in the Audit Committee Report page 13.

This statement is issued in accordance with a resolution of the Directors dated 28 April 2011.



Audit Committee Report

Membership

The Audit Committee (“the Committee”) comprises the following members:

- Dato’ Abdul Rashid Bin Ismail - Chairman, Independent Non-Executive Director
- Ms. Tang Yin Kham - Independent Non-Executive Director
- Mr. Mohd Faizal Izan Bin Abdul Latiff - Independent Non-Executive Director

Terms of reference

The Committee was established on 29 February 1996 to act as a Committee of the Board of Directors, with the terms of reference as set out on pages 14 to 16.

Meetings

During the financial year ended 31 December 2010, the Audit Committee held a total of five (5) meetings, the attendance of the committee member are as follows :-

	Held	Attended
Dato’ Abdul Rashid Bin Ismail	5	5
Tang Yin Kham	5	5
Mohd Faizal Izan Bin Abdul Latiff	5	5

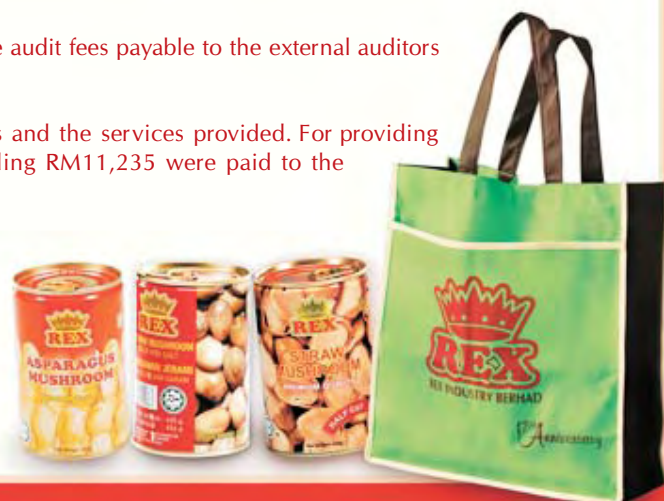
All the meetings were held at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang. The meeting were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. Executive Directors and representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the needs arises.

Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

The main activities undertaken by the Committee included the following:

- Review of the external auditors’ scope of work and audit plans for the year.
- Review with the external auditors the results of the audit, the audit report and the management letter, including management’s response.
- Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 18 to the financial statements.
- Review the independence and objectivity of the external auditors and the services provided. For providing accountancy services and advisory on taxation, non-audit fees totaling RM11,235 were paid to the external auditors.



Summary of activities during the financial year (cont'd)

- Review of the internal audit department's resources requirements, programmes and plan for the financial year under review and the annual assessment of the internal audit department's performance.
- Review of the internal audit reports and discussion with the management to take actions to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Recommendation to the Board improvement opportunities in internal control, procedures and risk management.
- Review of the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure compliance with the Listing Requirements of Bursa Securities, financial reporting standards and other relevant legal and regulatory requirements before recommending them for the Board's approval.
- Review of the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- Review of the related party transactions entered into by the Group.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he or she is not a member of MIA, he must have at least three (3) years of working experience and:-
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the associations of accountants specified in part II of the 1st schedule of the Accountants ACT 1967; or
 - fulfils such other requirements as prescribed or approved by the Bursa Securities.



Audit Committee Report

(Continued)

Composition (Cont'd)

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee. The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

Quorum and Committee's procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite the Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the management, and at least once every year with the Head of Internal Audit and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

The Company shall ensure the attendance of the other Directors and employees of the Company at any particular Audit Committee meeting is only at the Committee's invitation and is specific to the relevant meeting.

Authority

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the BMSB Listing Requirements, the Committee shall promptly report such matter to the BMSB.



Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focussing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- Verify the allocation of options pursuant to the Employee Share Option Scheme ("Scheme") of the Company and to ensure that the allocation is in compliance with the By-Laws of the scheme.
- Any other activities, as authorised by the Board.



Statement on Internal Control

Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issuer as a group”. The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the year.

The Board is ultimately responsible for the Group’s system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

The Board recognises the need to have a formal on going process for identifying, evaluating and managing the significant risks faced by the Group. The key management personnel has considered the need for a formal risk management framework. However, in view of the size of the Group and the nature of its operation that are currently controlled, the management is of the opinion that the current control procedures in place are sufficient to meet its intended objectives.

The Board fully supports the contents of the Internal Control Guidance and, with the assistance of its internal audit department, undertook to review the existing key business processes in place within the various operating businesses in Malaysia, with the aim of formalising the risk management functions across the Group, at a later date.

The Group has an internal audit department which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

During the financial year ended 31 December 2010, with the assistance of the internal audit function, the Board as a whole reviewed the adequacy and integrity of the system of internal control by :

- Reviewing the quarterly financial reports and evaluated the reasons for unusual variances noted thereof;
- The close involvement of Executive Directors in the business and who are hands-on in the operations of the Group, including the regular review of internal control procedures with operating and financial personnel of the Group ;
- The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority, training and development, equality of opportunity, staff performance and serious misconduct. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of management and, finally to the Board ; and
- The Audit Committee assists the Board in the review of financial statements. Where appropriate, explanations are sought from management for unusual fluctuations noted thereof.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 28 April 2011.



Corporate Social Responsibility Statement

Rex Industry Berhad ("RIB") is mindful of its Corporate Social Responsibility towards the community, environment, employees, shareholders and other stakeholders. Being a responsible Corporate Citizen, RIB continues to promote quality work environment, healthy and safety workplace to the employees and have initiated and supported various social, community and environmental programs. We develop ethical, responsible business policies and practices that are applied without exception across our operations.

The Corporate Social Responsibility initiatives undertaken by our Group during the financial year are summarized as below :

The Community

- ▶ During the year, the Group has been giving its support unconditionally to the people in need by sponsoring canned foods and beverage to various non-profitable organization, school and individuals. Besides that, we also expressed our care and concern for the under-privileged groups through monetary contributions.
- ▶ In support of school education program, our factories are open for school children to visit so as to enhance their understanding on how canned foods and beverage products are being produced.
- ▶ We continued to support the Internship Program by working with various public and private higher education providers such as universities, colleges and polytechnics to provide training for their students.

Our Workplace

RIB appreciates the contribution of our employees as regards to the growth of the business and harmonious working environment.

- ▶ We are committed to ensure fairness in career opportunity and treat all staffs equally regardless of their religion, races, genders, age and nationality.
- ▶ We are committed to maintain a safe and healthy working environment for our employees in the workplace.
- ▶ Constant education, training and safety workshops to ensure a high level of awareness of safety requirements at all levels.

The Marketplace

We are committed to ensure that the interests of all our important stakeholders (i.e. customers, suppliers and shareholders) are being taken care of. We ensure the supply of quality products and meeting customers' satisfactions through continual improvement in quality, technology, process and services. We are also practice good corporate governance to meet shareholders' expectations.

The Environment

It is our responsibility to apply our capabilities towards creating a better and safer world. We are conscious of the global warming and climate changes in the global environment due to the industrial activities. We support the use of environmental friendly products and minimize any adverse impact to the natural environment. We are always committed to the cause of environmental protection by increasing workforce awareness on the energy conservation methods (i.e. Instilling daily habits of switching off light and air-conditioners when not in use). We also ensure compliance to all relevant environmental laws and other requirements by raising the environmental awareness among the employees.



Chairman Statement

On behalf the Board of Directors of Rex Industry Berhad, I am pleased to present the Annual Report for the financial year ended 31st December, 2010.

Review of Operation

The persisting weak economic performance of markets in the USA and European Union in 2010 continues to negatively affect the sales orders of the Group. The sagging moods in these economies had dampened consumption in seafoods and the demand had not recovered fully from the 2009 slump. Currencies of Asian countries continued to strengthen throughout the year and the trend add additional hardship in the ability to export more products.

PT Rex Canning of Indonesia and Rex Foods of China, the two subsidiaries of the Group that rely heavily on export sales were hit particularly hard. At the same time, inflationary pressure had been high on raw materials in the Asian economies which had achieved healthy growth. These unfavorable factors caused drop in export revenue across the subsidiaries of the Group, despite increased promotional participations in trade shows abroad.

The frozen foods segment of the Group continued to face stiff competition and the operation has been scaled down.

While the canned foods export divisions and frozen food operation were put on the defensive mode, the drink division in Malaysia however, performed satisfactorily with double digit growth. The additional capital investment that was invested contributed to the positive increase in production capability to meet the increase in sales.

Domestic sales in Malaysia and China remained robust throughout the year, charting increased production activities and new product launches. Sales and promotional and activities were focused on the drink sectors and achieving the positive results as anticipated.

Financial Performance

Sales for the Group continued the downward trend, dropping 17% to RM 135.6 million for the year. The increase in domestic trades was not large enough to patch up for the heavy decline of export sales of between 10 to 30% across the subsidiaries.

Net profit suffered as sales dropped significantly and for the first time, the Group made a loss, of RM2.8 million after tax.

Prospects

The net loss for the first time in the Group's history is certainly a shocking milestone and a disappointment indeed. The Board has reviewed the Group's operation and has started to make changes in the management, institute cost cutting measures and chart new directions for the subsidiaries. It is recognized that the management has been too passive, operational overheads are high by industry standard and the existing products are old and unexciting for the Group. Major revamps will be implemented to invigorate the management team. Austerity measures will cut costs and new projects will be identified to put the Group on a 5 years directional growth path.



The Board is confident that the changes which will be carried out over the next 12 months, will put the Group back in the black.

Dividend

In view of the poor financial performance of the Group, the Board has decided not to pay dividend for the year.

Acknowledgement

While expressing gratitude to all the employees of the Group for their dedication during the year, the Board is hoping that they will put more effort in the coming years to their work in order to revive the company into profitability. For all our shareholders, customers and vendors, we accord you with our appreciation for your past, current and continuing support.



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Dato' Abdul Rashid Bin Ismail
Chairman
28 April 2011

