CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting ("**AGM**") of Rex Industry Berhad will be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Tuesday, 19 November 2019 at 10:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon. (Please refer to the Note No. 1)

2. To approve the payment of Directors' fees payable to the Non-Executive Directors amounting to RM216,600/- to be paid on a quarterly basis for the financial year ending 30 June 2020 and thereafter. (Resolution 1)

3. To approve the payment of Directors' benefits up to an amount of RM100,000/- from 20 November 2019 until the next AGM of the Company. (Resolution 2)

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

   (a) Tan Sri Dato' Mohd Ibrahim bin Mohd Zain; and (Resolution 3)
   (b) Mr. Darmendran Kunaretnam (Resolution 4)

5. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION 1** (Resolution 6)
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

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

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **ORDINARY RESOLUTION 2** (Resolution 7)
- PROPOSED RENEWAL OF EXISTING SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries ("**the Group**") to enter into and to give effect to the category of the recurrent transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.5 of the Circular/Statement to Shareholders dated 25 October 2019, provided that such transactions are:-

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

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

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

(iv) not to the detriment of minority shareholders,

(the "**Mandate**");

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

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

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

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

whichever is the earlier;

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

8. **ORDINARY RESOLUTION 3** (Resolution 8)
- PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

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

(a) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

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

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

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

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

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

whichever occurs first;

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

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

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

(c) retain part thereof as treasury shares and cancel the remainder; and/or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

AND FURTHER THAT the Directors of the Company be authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as they may deem fit and expedient in the best interest of the Company."

9. **SPECIAL RESOLUTION** (Resolution 9)
- PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety and in place thereof, a new Constitution as set out in Appendix III of the Circular/Statement to Shareholders dated 25 October 2019 be and is hereby adopted as the Constitution of the Company with immediate effect;

AND THAT the Directors of the Company be and are hereby authorised to assent to any conditions, modification, and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
YEOW SZE MIN (MAICSA 7065735)
Company Secretaries

Dated: 25 October 2019

Explanatory Notes to Special Business:

1. Authority to Issue Shares pursuant to the Companies Act 2016

The Company had been granted a general mandate by its shareholders at the Twenty-Fourth AGM of the Company held on 30 November 2018 to issue shares pursuant to the Companies Act 2016.

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

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

2. Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 7 will enable the Company and its subsidiaries ("**the Group**") to enter into any of the recurrent related party transactions of a revenue or trading nature, which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular/Statement to Shareholders dated 25 October 2019 for more information.

Explanatory Notes to Special Business: (Continued)

3. Proposed Renewal of Authority for the Company to Purchase its Own Shares

The proposed Resolution 8 is intended to allow the Company to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company at any time within the time period stipulated in Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular/Statement to Shareholders dated 25 October 2019 for more information.

4. Proposed Adoption of a New Constitution of the Company

The proposed Resolution 9 is to bring the Company's Memorandum and Articles of Association ("**M&A**") in line with the amendments that arise from the Companies Act 2016, the revised Bursa Malaysia Securities Berhad Main Market Listing Requirements and Malaysian Code on Corporate Governance as well as enhancing administrative efficiency. In view of the substantial amount of amendments to be made, the Board proposed that the existing M&A of the Company be abolished and be replaced in its entirety with a new Constitution which incorporated all the proposed amendments.

Please refer to the Circular/Statement to Shareholders dated 25 October 2019 for more information.

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

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

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

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

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

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

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

7. For purpose of determining who shall be entitled to attend, participate, speak and vote at this Meeting, the Company shall be requesting the Record of Depositors ("**ROD**") as at 8 November 2019. Only a Depositor whose name appears on such ROD shall be entitled to attend, participate, speak and vote at this Meeting or to appoint proxy to attend, participate, speak and vote on his/her behalf.

Corporate Information

BOARD OF DIRECTORS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

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

AUDITORS

- Messrs. Moore Stephens Associates PLT
  (LLP0000963-LCA & AF002096)
  Chartered Accountants
  Unit 3-3A, 3rd Floor, Surian Tower,
  No. 1, Jalan PJU 7/3, Mutiara Damansara,
  47810 Petaling Jaya,
  Selangor Darul Ehsan
  Telephone no. : +603-7728 1800
  Facsimile no. : +603-7728 9800

SHARE REGISTRAR

- Securities Services (Holdings) Sdn. Bhd.
  Level 7, Menara Milenium,
  Jalan Damanlela,
  Pusat Bandar Damansara,
  Damansara Heights,
  50490 Kuala Lumpur,
  Wilayah Persekutuan
  Telephone no. : +603-2084 9000
  Facsimile no. : +603-2094 9940 / +603-2095 0292
  Contact person : Mr. Wong Piang Yoong

PRINCIPAL BANKERS

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

SOLICITORS

- Johan Arafat Hamzah & Mona

REGISTERED OFFICE

- Plot 125, Jalan Perindustrian Bukit Minyak 5,
  14100 Simpang Ampat,
  Seberang Perai Tengah,
  Penang, Malaysia
  Telephone no. : +604-508 8288
  Facsimile no. : +604-508 8567
  Email : support@rexmalaysia.com

STOCK EXCHANGE LISTING

- Listed on the Main Market of
  Bursa Malaysia Securities Berhad

  Stock Code : 9946

  Stock Name : REX

  Sector : Consumer Products & Services

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

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, aged 76, a Malaysian, male, was appointed to the Board of the Company on 30 June 2014. He is the Chairman of the Board, Nomination Committee and Remuneration Committee and a member of the Audit and Risk Management Committee of the Company.

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

Upon Tan Sri Dato' Mohd Ibrahim's graduation in 1965, he joined University Technology MARA (formerly known as Institute of Technology MARA) as a lecturer and headed its school of business and then became its dean of academic. He was subsequently appointed as a Council Member/Director, a position which he held until October 2006.

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

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

Tan Sri Dato' Mohd Ibrahim attended all five (5) Board Meetings held in the financial year ended 30 June 2019.

Darmendran Kunaretnam
Non-Independent Executive Director, Group Managing Director

Mr. Darmendran Kunaretnam, aged 58, a Malaysian, male, was appointed to the Board of the Company and as the Group Managing Director on 3 March 2015. Currently, he does not sit in any of the Board Committees of the Company.

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

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

Subsequently, Mr. Darmendran was appointed as the Chief Financial Officer of Kejuruteraan Samudra Timur Berhad ("**KSTB**") and its group of subsidiaries prior to being appointed to the Board of KSTB as a Non-Executive Director on 26 February 2009. He was redesignated as Executive Director on 24 August 2009 and continues to hold this position till present. Currently, the only directorship of Mr. Darmendran in other public companies is KSTB, which was delisted on 27 December 2016.

Mr. Darmendran attended all five (5) Board Meetings held in the financial year ended 30 June 2019.

Chee Cheng Chun
Non-Independent Non-Executive Director

Mr. Chee Cheng Chun, aged 34, a Malaysian, male, was appointed to the Board of the Company on 3 March 2015. Currently, he does not sit in any of the Board Committees of the Company.

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

Mr. Chee attended three (3) out of five (5) Board Meetings held in the financial year ended 30 June 2019.

Tai Keat Chai
Independent Non-Executive Director

Mr. Tai Keat Chai, aged 65, a Malaysian, male, was appointed to the Board of the Company on 6 March 2015. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

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

Currently, Mr. Tai's directorships in other public companies and listed issuers include Marine & General Berhad, Omesti Berhad, Microlink Solutions Berhad and MIDF Amanah Asset Management Berhad.

Mr. Tai attended all five (5) Board Meetings held in the financial year ended 30 June 2019.

Adnan bin Ahmad
Independent Non-Executive Director

Encik Adnan bin Ahmad, aged 70, a Malaysian, male, was appointed to the Board of the Company on 12 April 2018. He is a member of the Audit and Risk Management Committee of the Company.

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

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

Encik Adnan attended all five (5) Board Meetings held in the financial year ended 30 June 2019.

Notes:

Save as disclosed above, none of the Directors has:-

1. any family relationship with any Director and/or Major Shareholder of the Company;
2. any conflict of interest with the Company; and
3. any conviction for offences within the past five (5) years other than traffic offences, if any; and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Dato' Cheah Teng Lim, aged 59, a Malaysian, male, was appointed as the Chief Executive Officer of Rex Canning Co. Sdn. Bhd. and Rex Trading Sdn. Bhd., subsidiaries of the Company on 1 June 2018.

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

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

Sandra Lim Geik Fong
Chief Financial Officer of Rex Industry Berhad

Ms. Sandra Lim Geik Fong, aged 45, a Malaysian, female, was appointed as the Chief Financial Officer of the Company on 1 September 2014.

Ms. Sandra is a Chartered Accountant of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants, United Kingdom. She started her career as an auditor in an audit firm. She then joined the Company in 1999 as an Assistant Accountant and assumed various positions in the Finance Division with increasing responsibilities until her promotion as the Group Accountant in January 2001 before she was promoted as Chief Financial Officer.

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

Leslie Chng Theng Tat
Chief Operating Officer of Rex Canning Co. Sdn. Bhd.

Mr. Leslie Chng Theng Tat, aged 60, a Malaysian, male, was appointed as the Chief Operating Officer for Rex Canning Co. Sdn. Bhd., a subsidiary of the Company, on 15 April 2019.

Mr. Leslie holds a Sales Management Certificate from the Marketing Council of Australia and has over thirty-seven (37) years of experience in the fast-moving consumer goods industry.

Mr. Leslie started his career with Rothmans of Pall Mall Berhad which later became British American Tobacco Malaysia Berhad, where he helmed various portfolios including Key Accounts, Brand Management, Channel and Merchandising and Marketing Operations. He also spent four (4) years in Thailand as Marketing Director cum Country Manager from 2014 to 2018 for the London American Tobacco Company Limited. Prior to joining the Group, he was a Senior Manager with Mobile Kiosk Sdn. Bhd., a major distributor of mobile phone accessories to the modern trade.

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

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

Mr. Nicky Ng Voon Tiak, aged 52, a Malaysian, male, was appointed as the General Manager of the Sales and Marketing Division of Rex Canning Co. Sdn. Bhd., a subsidiary of the Company, in May 2017.

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

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

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

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

Mr. Chu Seang Ming, aged 52, a Malaysian, male, was appointed as the General Manager of P.T. Rex Canning, a subsidiary of the Company, on 1 May 1998.

Mr. Chu holds a Master of Business Administration, Marketing from Washington International University and various certifications, which include Indonesia Fishery Department – QMP & HACCP Program (1994), FDA/USDA Better Process Control School, Indonesia (1995), NOAA – Seafood Sensory Program, USA (2000) and HACCP Program SGS, Indonesia (2000).

Mr. Chu started his career with a frozen food manufacturer based in Perak as a Factory Quality Controller where he undertook laboratory quality control tasks for frozen shrimp processing. In 1990, he joined Rex Canning Co. Sdn. Bhd., a subsidiary of the Company, as its Quality Control Supervisor. He then moved to P.T. Rex Canning, Indonesia in 1992 as its Quality Control Manager. From 1997 to 1998, Mr. Chu was tasked with establishing and setting up a new processing plant and operations for the Rex Group in People's Republic of China in his capacity as General Manager for Jie Yang Rex Foods Ltd. Co, before he returned to P.T. Rex Canning in 1998 to be in charge of the general management of P.T. Rex Canning.

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

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

Ms. Chris Kong Wai Fa, aged 55, a Malaysian, female, was appointed as the General Manager of the Procurement, Logistic and Warehouse of the Company on 1 June 2016.

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

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

Notes:

Save as disclosed above, none of the Key Senior Management has:-

1. any family relationship with any Director and/or Major Shareholder of the Company;
2. any conflict of interest with the Company; and
3. any conviction for offences within the past five (5) years other than traffic offences, if any; and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

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

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

This Statement also serves as a compliance with Paragraph 15.25(1) of Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**MainLR**") and should be read together with the CG Report of the Company for the financial year ended 30 June 2019 ("**FYE 2019**") published on the Company's website at www.rexmalaysia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Intended Outcome 1.0 **Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.**

1.1 The Board is primarily responsible for the overall performance of the Group by establishing the strategic directions and objectives, charting the policies and directing the strategic plans to ensure the Group is moving with the right momentum and aligned with the overall objectives and goals of the Group at all times.

The Board relies on the reports provided by the Group Managing Director ("**Group MD**"), who oversees the day-to-day business operations of the Group and supported by a senior management team from various departments of the Group to set the Company's strategic direction. The Group MD will brief the Directors on the operations, issues faced and action plans of the Group for the Board to be kept abreast on the conduct, business activities and development of the Company, and to discuss and advise the Management in its formulation of the Company's business strategies, both short-term and long-term at the meetings on a quarterly basis.

To ensure the effective discharge of its stewardship role, the Board has delegated certain duties and responsibilities to three (3) other Board Committees, namely, the Audit Committee ("**AC**") (which has been renamed to Audit and Risk Management Committee ("**ARMC**") with effect from 30 September 2019), Nomination Committee ("**NC**") and Remuneration Committee ("**RC**") to assist the Board in overseeing the Company's affairs and in deliberation of issues within their respective functions and terms of reference ("**TOR**"), which outline clearly their objectives, duties and powers. The Chairman of each Committee will report to the Board on the outcome of the Committee's meetings and resolutions, which would also include the key issues deliberated at the Committee's meetings.

The Board Committees do not have executive powers but the Chairman of each Committee is tasked to report to the Board on all matters considered including key issues and outcomes and resolutions deliberated at each of the Committee's meetings.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

All proceedings, matters arising, deliberations in terms of the issue discussed, and recommendations made by the Board Committees at the Committees' meetings are recorded in the minutes by the Company Secretaries of the respective Board Committees, confirmed and signed by the Chairmen of the Committees, and reported to the Board. The relevant representatives of senior management were present at the Board and Board Committees' meetings to provide progress of key initiatives, business targets and achievements, and to provide clarification on the queries and issues raised by the Board and Board Committees, if so required.

In addition, all Directors have access to the senior management, company secretaries, independent external professional advisors, internal auditors and external auditors in appropriate circumstances for professional advice and services as well as additional insights on the Group's operations and corporate matters, at the Company's expense.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company during the FYE 2019, the Board had, amongst others:-

(a) promoted good governance culture within the Company which reinforces ethical, prudent and professional behaviour;
(b) reviewed, challenged and decided on Management's proposals and monitored the implementation by the Management;
(c) ensured that the strategic plan of the Company supports long term value creation and sustainability;
(d) supervised and assessed Management performance regularly;
(e) ensured there is a sound framework for internal controls and risk management;
(f) understood the principal risks surrounding the Group's business and set the risk appetite to ensure that the risks are properly managed;
(g) ensured sufficient succession planning for the Group's continuity in leadership for all key positions;
(h) ensured the Company has in place procedures to enable effective communication with stakeholders; and
(i) ensured the integrity of the Company's financial and non-financial reporting.

1.2 The Board is chaired by Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, an Independent Non-Executive Director ("**INED**"), who is able to provide effective leadership and sound advice on the strategic direction of the Group and to his best effort, monitor and promote good governance practices within the Group.

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

(a) demonstrated leadership to the Board in discharging his duties and responsibilities effectively without limiting the principle of collective responsibility for the Board decisions;
(b) led the conduct of the Board meetings and discussions in a manner that encouraged constructive discussions and effective contribution from each Director;
(c) reviewed the minutes of the Board meetings to ensure that the minutes accurately reflect the Board's deliberations, and matters arising from the minutes have been addressed properly;
(d) led the Board in establishing, monitoring and implementing good corporate governance practices within the Group;
(e) encouraged active participation of the Board and allowed dissenting views to be freely expressed;
(f) chaired the general meetings of the Company and committed to answering the queries from the shareholders;
(g) ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole, for consideration and improvement, if any;
(h) acted as the facilitator between the Board and the Management by coordinating smooth communication flow between both parties; and
(i) worked with the Management in reviewing plans, defining issues, maintaining accountability and in any marketing efforts that would effectively position the Company to facilitate growth.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

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

The Chairman of the Board is primarily responsible for leading the Board in its collective oversight of Management as well as to provide guidance on strategic matters, while the Group MD has overall responsibilities over the business operations and day-to-day management of the Group and implementation of the Board's policies and decisions, ensuring that the Group is run efficiently and effectively and in accordance with the strategic decisions of the Board.

1.4 The Company is supported by two (2) suitably qualified and competent Company Secretaries, namely, Ms. Chua Siew Chuan and Ms. Yeow Sze Min.

Both Company Secretaries are qualified Chartered Secretaries as per Section 235(2)(a) of the Companies Act 2016 ("**CA 2016**") and are Fellow Members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators.

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

The Company Secretaries have:-

- advised the Board and Board Committees on their fiduciary and statutory duties in accordance with their Board Charter and TORs.
- advised the Board on corporate disclosures and compliance with the CA 2016, the Company's Memorandum and Articles of Association (Constitution), the MainLR, the MCCG, adopted policies and other pertinent regulations governing the Company;
- updated the Board on changes in the regulatory requirements to ensure correct procedures are followed;
- acted as the official liaison party for the Company to prepare and submit statutory notifications to the Companies Commission of Malaysia;
- attended and recorded minutes of all Board and Board Committee meetings and facilitated Board communications;
- together with the Management, managed all Board and Board Committee meeting logistics; and
- managed processes pertaining to the Twenty-Fourth Annual General Meeting ("**AGM**") of the Company ("**24th AGM**").

During the FYE 2019, the Company Secretaries had discharged their duties and responsibilities accordingly, and will continue to keep themselves abreast on matters concerning company law, the capital market, CG, and other pertinent matters, and with changes in the regulatory environment through continuous training and industry updates.

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

1.5 While the Management strives to circulate all complete meeting materials at least five (5) business days in advance, there had been instances where the financial reports and other documents could not be ready on time. The delay in administrative efficiency was partially because the Management was focusing more on the back-end operation works and solving the significant issues faced by the Group with the aims of improving the current business and financial performance of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

Nonetheless, detailed minutes of the Board or Board Committee meetings, with the complete and accurate record of the decisions and resolutions of the meetings, would be distributed by the Company Secretaries to all Directors and Board Committee members with sufficient time for their perusal and to seek any clarification or further details that they may need from the Management or to consult independent advisers, if they deem necessary prior to confirmation of the minutes at the next Board or Board Committee meeting.

The Chairman of the Board meeting signed the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept into the Minutes Books kept at the registered office of the Company to be made available for inspection under the CA 2016. The Board also notes the decisions and salient issues deliberated by the Board Committees through the minutes of these Committees' meetings.

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

Intended Outcome 2.0

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

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

2.1 The Board has a Board Charter, which was reviewed and revised by the Board on 18 October 2018 to adopt the relevant changes of the MainLR and MCCG to ensure that it remain relevant and consistent with the Board's objectives and goals at all times.

The Board Charter now includes an outline on what is expected of Directors in terms of their commitment, authority, roles and responsibilities as Board Members. The Board Charter entails, inter alia, the following main items:-

- Governance;
- Board-Management Relationship;
- Board-Shareholder Relationship; and
- Stakeholder Relationship.

The Board Charter is applicable to all Directors of the Company. The respective functions, roles and responsibilities of the Directors and Management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties and to avoid conflicts of interest in the conduct of company business, if any.

The Board Committees, in performing their responsibilities delegated by the Board, are guided by the TORs of each of the Committees as approved by the Board.

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

The Board has not appointed a Senior Independent Director.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

Activities of the NC

During the FYE 2019, the NC held two (2) meetings and has undertaken the following activities in the discharge of its duties:-

(i) Reviewed and confirmed the minutes of the NC meetings held during the FYE 2019;
(ii) Reviewed the Board and Board Committee evaluation and Directors' self-evaluation forms and recommended the same to the Board for approval and adoption;
(iii) Reviewed the contribution and performance of each individual director to assess the character, experience, integrity, and competence to effectively discharge their role as a Director through a comprehensive assessment system;
(iv) Conducted evaluation to assess the effectiveness of the Board as a whole and the Board Committees;
(v) Reviewed the term of office of the AC and assessed its effectiveness as a whole;
(vi) Reviewed the service contract agreement of the Group MD;
(vii) Reviewed the independence of the Independent Directors and assessed their ability to bring independent and objective judgement to Board deliberations;
(viii) Reviewed the revisions made to the TOR of the NC to be in line with the MCCG and recommended the same to the Board for approval;
(ix) Recommended the re-election of the directors who are to retire by rotation at the AGM; and
(x) Reviewed the meeting attendance of the Board and Board Committees.

During the FYE 2019, the Board had convened a total of five (5) Board meetings for the purposes of deliberating on the Company's quarterly financial results and discussing other strategic and important matters. During the Board meetings, the Board reviewed the operations and performance of the Group and other strategic issues that may affect the Group's business. Relevant senior management members were invited to attend some of the Board meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee meetings. Upon review, the NC noted the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the FYE 2019.

The attendance of Directors during the FYE 2019 is set out below:-

Directors	Directorship	Board	AC^	NC	RC
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	INED	5/5	5/5	2/2	2/2
Mr. Tai Keat Chai	INED	5/5	5/5	2/2	2/2
Encik Adnan bin Ahmad	INED	5/5	5/5	Not Member	Not Member
Mr. Darmendran Kunaretnam	Non-Independent Executive Director	5/5	Not Member	Not Member	Not Member
Mr. Chee Cheng Chun	Non-INED	3/5	Not Member	Not Member	Not Member

^ The AC has been renamed to ARMC with effect from 30 September 2019

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

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

The Board has cultivated the following best practices:-

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

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

During the FYE 2019, the Board members had participated in the following trainings and/or courses:-

Name of Directors	Dates	Description of Training Programmes
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	3 December 2018	The 10th Distinguished Tun Abdul Razak Lecture: Toxic Waste To Fine Art
Mr. Tai Keat Chai	7 September 2018	Deep Drive Into CG Case in Malaysia: "What Went Wrong" and "What Could Be Done Better"
Encik Adnan bin Ahmad	1 August 2018	Direction and Branding of SSA
Mr. Darmendran Kunaretnam	14 April 2018	Industry Talk
Mr. Chee Cheng Chun	18 January 2019	E-Commerce Development in Malaysia

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

Intended Outcome 3.0

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

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

3.1 The Company has adopted two (2) separate policies, namely, Code of Conduct and Code of Ethics that are applicable to all Directors, Management and employees ("**Officers**") of the Group.

Code of Conduct

The Code sets forth the ethical and professional standards of corporate and individual behaviour expected to enhance the standard of corporate governance and corporate behavior.

The Officers are required to comply with the letter and spirit of the following which are contained in the Code in performing their duties:-

❖ Human rights
❖ Health and safety
❖ Environment
❖ Gifts and business courtesies
❖ Company records and internal controls
❖ Company assets
❖ Exclusive service
❖ Integrity and professionalism
❖ Personal appearance
❖ Confidential information
❖ Compliance obligations

To ensure the Code permeates throughout the Company, it is communicated to all levels of the Officers through the staff handbook, notice board and intranet of the Company by providing briefings to new staff during the induction programme.

Code of Ethics

The Code, consisting of commitments formulated as statements of personal responsibility, identifies the elements of such commitment. The commitment to excellence is fundamental to the philosophy of the Company and every Director shares a common set of objectives and benefits. Each Director is committed to the Company's core values of commitment such as honesty, respect, teamwork, creativity and responsibility, which together serve as a guide for achieving the business goals in an open, honest, ethical and principled manner.

The principles of the Code are as follows:-

❖ Sincerity
❖ Integrity
❖ Responsibility
❖ Corporate social responsibility

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

I. BOARD RESPONSIBILITIES (Continued)

3.2 The Board had on 18 October 2018 adopted a Whistleblowing Policy to facilitate the Company's employees and stakeholders to report instances of misconduct, wrong-doing, corruption, fraud, waste of the Company's resources or abuse of rules and regulations within the Company without fear of retaliation.

The Whistleblowing Policy of the Company provides guidance on the appropriate communication and feedback channels and actions to facilitate whistleblowing, while assuring whistleblowers that the necessary protection is accorded to them.

Anyone with genuine concerns in relation to unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements may report directly to the designated persons as provided below (where applicable):-

- Superior or head of department;
- Chairman of the Company;
- Group MD; or
- Chief Financial Officer.

All whistleblowing reports received will be analysed by the head of Human Resources and further discussed with the Group MD on the next appropriate course of action. The outcome of the investigation is required to be reported to the AC at the meeting. The AC has been tasked with the review of whistleblowing reports either made through the Company following established communication and feedback channels or through any other means. The AC or the Group MD shall then report to the Board on reports and findings that require their attention and approval.

The Whistleblowing Policy however does not apply to or modify the Company's policies and procedures for individual employee grievances or complaints relating to job performances, employment terms and conditions. Should it be determined during initial investigation that the matter disclosed does not fall within the scope of the Whistleblowing Policy, such matter will be transferred to the relevant department for appropriate procedures and actions to be taken.

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

During the FYE 2019, none of the designated persons have received any report or concerns vide the abovementioned communication and feedback channels.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

II. BOARD COMPOSITION

Intended Outcome 4.0

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

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

The Board is of the view that the current composition is able to provide independent and objective judgement to facilitate a balanced leadership in the Company as well as to provide effective check and balance to safeguard the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In addition, the Chairman of the Board who is also an Independent Director provides the strong leadership necessary to marshal the Board's priorities objectively.

4.2 None of the existing Independent Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years in the Company as at 30 June 2019.

The NC and the Board take cognisance that under the MCCG, upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to his re-designation as Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, the Board shall provide justification and seek annual shareholders' approval. In the event if the Board wishes to retain any of its Independent Directors who have served the Board for a cumulative term of twelve (12) years, it should seek annual shareholders' approval through a two-tier voting process.

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

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

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

While there is diversity in the Board, there is no female director on the Board. Nevertheless, woman representation on the Board will be taken into consideration when vacancies arise and when suitable candidates are identified, underpinned by the overriding primary aims of selecting the best candidate to support the achievement of the Company's strategic objectives based on criteria, merit and with due regard for diversity in skills and experience, and not solely on gender.

At present, there are two (2) female members in the senior management team, namely, Ms. Sandra Lim Geik Fong and Ms. Chris Kong Wai Fa.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

II. BOARD COMPOSITION (Continued)

4.5 Currently, although the Board does not have any formalised Board Diversity Policy or Gender Diversity Policy, it does not practise gender discrimination and endeavours to promote workplace diversity and support the representation of women in the composition of Board and senior management positions of the Company.

Nonetheless, the Board recognises that having a gender diverse Board in the Company could offer greater depth and breadth whilst the diversity at key senior management could lead to better decisions.

4.6 There is no new Director appointed to the Board during the FYE 2019.

The Board will consider referrals from external sources to identify suitably qualified candidates when the need arises in the future and will not limit themselves by solely relying on the recommendations from existing Board members, management or major shareholders.

4.7 The NC is chaired by an INED. Tan Sri Dato' Mohd Ibrahim bin Mohd Zain had led the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.

Intended Outcome 5.0

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

5.1 During the FYE 2019, the Board, through the NC, had conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director in the financial year ended 30 June 2018 ("**FYE 2018**"):-

(a) Directors' self-assessment

The annual assessment of the Directors commences with the completion of a set of comprehensive assessment forms detailing all assessment criteria to be completed individually by all Directors in advance. The duly completed assessment forms are then submitted to the Company Secretaries confidentially who later tabled the consolidated results to the NC. Criteria for the self-assessment include self-ratings on their own knowledge, contribution, performance, calibre and personality.

(b) Evaluation on the effectiveness of the Board as a whole and Board Committees

The assessment forms completed by each of the NC members individually are thereafter submitted to the Company Secretaries confidentially for tabulation and tabling of the consolidated results at the NC meeting. Criteria for the assessment of the performance of the Board as a whole and the Board Committees cover Board composition, Board processes and activities, accountability as well as the fulfilment of duties and responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

II. BOARD COMPOSITION (Continued)

Assessment of Independent Directors

The Board, through the NC, had also assessed the independence of the Independent Directors on the Board, taking into account the following points in ensuring that the Independent Directors are able to contribute to the effective objective functioning of the Board:-

- fulfillment of the definition of an independent director as set out in Paragraph 1.01 of the MainLR
- ability to exercise independent judgement and act in the best interests of the Company
- potential conflicts of interest with regards to any contracts or transactions with the Group
- significant personal or social relationship with the Management or major shareholders (including their family members) other than those on a professional level consistent with their duties and generally expected of them
- derivation of other remuneration and benefits apart from Directors' fees and meeting allowances

Each of the Independent Directors had executed a Letter of Declaration confirming his independence and submitted the same to the Company Secretaries.

Review of the term of office and performance of AC and each of its members

The NC and the Board were satisfied with the performance of all the AC members in the FYE 2018, and the Board has renewed the term of office of each of the AC members for another term of one (1) year.

Assessment on Retiring Directors

The NC is responsible for making recommendation to the Board on the eligibility of the Directors to stand for re-election at the AGM.

For the FYE 2019, the NC had conducted assessment on Tan Sri Dato' Mohd Ibrahim bin Mohd Zain and Mr. Darmendran Kunaretnam, who shall retire at the Twenty-Fifth AGM of the Company ("**25th AGM**") pursuant to Article 64 of the Articles of Association ("**the Retiring Directors**").

The NC was satisfied with the performance of the Retiring Directors and recommended their re-election at the 25th AGM for Board's consideration to recommend the same to the shareholders for approval.

III. REMUNERATION

Intended Outcome 6.0

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

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

6.1 The Board has adopted a formal and transparent Directors' Remuneration Policy that sets out the components to be referred by the RC in recommending remuneration packages, which include salaries, performance bonus and other benefits in-kind (where applicable), for the Executive Director or Group MD, Non-Executive Directors and other senior management personnel that take into account the demands, complexities and performance of the Company as well as skills and experience required, to the Board for approval.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

III. REMUNERATION (Continued)

The Executive Director or Group MD's remuneration is designed to link rewards to the Group's and individual's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. The remuneration package of senior management is determined by the Executive Director or Group MD based on work performance in overall and the competitive environment in which the Company operates.

Activities of the RC

The following works were undertaken by the RC during the FYE 2019:-

(i) Reviewed and confirmed the Minutes of the RC Meeting held during the FYE 2019;
(ii) Deliberated on the remuneration package of the Group MD for the FYE 2019 and recommended the same to the Board for approval;
(iii) Reviewed the Directors' fees and recommended the same for the Board for consideration to recommend to the shareholders for approval;
(iv) Reviewed the Directors' benefits payable and recommended the same for the Board for consideration to recommend to the shareholders for approval;
(v) Reviewed Policies and Procedures to Determine the Remuneration of Directors and Senior Management and recommended the same to the Board for adoption; and
(vi) Reviewed the revisions made to the TOR of the RC to be in line with the MCCG and recommended the same to the Board for approval.

6.2 The principal objective of the RC is to assist the Board to structure and clearly link Directors' and senior management's remuneration to the strategic objectives of the Company, which rewards contribution to the long-term success of the Company in promoting business stability and growth.

Currently, the RC comprises exclusively of INEDs, which is in line with the MCCG's guidance. The RC is presently chaired by Tan Sri Dato' Mohd Ibrahim bin Mohd Zain.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

III. REMUNERATION (Continued)

Intended Outcome 7.0

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

7.1 The breakdown of the remuneration of each individual Director for the FYE 2019 is as follows:-

(i) Company Level

Name of Director	Salaries and other emoluments (RM)	Directors' Fees (RM)	Statutory contribution (RM)	Benefits-in-kind (RM)	Bonus and commission (RM)
Executive Director					
Mr. Darmendran Kunaretnam	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Non-Executive Directors					
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	48,600	-	3,000	-
Mr. Tai Keat Chai	-	96,000	-	3,000	-
Encik Adnan bin Ahmad	-	36,000	-	3,000	-
Mr. Chee Cheng Chun	-	36,000	-	2,500	-
Total	**-**	**216,600**	**-**	**11,500**	**-**

(ii) Group Level

Name of Director	Salaries and other emoluments (RM)	Directors' Fees (RM)	Statutory contribution (RM)	Benefits-in-kind (RM)	Bonus and commission (RM)
Executive Director					
Mr. Darmendran Kunaretnam	856,800	-	138,012	-	-
Total	**856,800**	**-**	**138,012**	**-**	**-**
Non-Executive Directors					
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	48,600	-	3,000	-
Mr. Tai Keat Chai	-	96,000	-	3,000	-
Encik Adnan bin Ahmad	-	36,000	-	3,000	-
Mr. Chee Cheng Chun	-	36,000	-	2,500	-
Total	**-**	**216,600**	**-**	**11,500**	**-**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

III. REMUNERATION (Continued)

7.2 The top five (5) senior management includes one (1) Executive Director of the Company and his detailed remuneration has been disclosed under Practice 7.1 of this Report.

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

7.3 The detailed remuneration of each member of senior management on a named basis will not be disclosed for confidentiality purposes as it would not derive any tangible benefits to the stakeholders.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Intended Outcome 8.0

There is an effective and independent AC.

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

8.1 The AC has been renamed to ARMC with effect from 30 September 2019.

During the FYE 2019, the AC is chaired by Mr. Tai Keat Chai, who is an INED, while the Chairman of the Board is Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, also an INED. This ensures that the objectivity of the Board's review of the AC's findings and recommendations is not impaired.

Mr. Tai Keat Chai is responsible to ensure the overall effectiveness and independence of the AC. Together with the other members of the AC, he had ensured among others that:-

a) the AC is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;
b) the AC appropriately communicates its insights, views and concerns about relevant transactions and events to the internal and external auditors;
c) the AC's concerns on matters that may have an effect on the financials or audit of the company are communicated to the external auditors; and
d) there is proper co-ordination between the internal and external auditors.

8.2 The AC has adopted the Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors on 18 October 2018, which requires a former key audit partner of the Company's external auditors to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC, for the purpose of safeguarding the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements.

During the FYE 2019, none of the existing AC members were former key audit partners. In order to uphold the utmost independence of the AC, the Board has no intention to appoint any key audit partner as a member of the AC or Board.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

I. AUDIT COMMITTEE (Continued)

8.3 The AC has adopted the Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors that set out the criteria to be taken into account by the AC in assessing the suitability, objectivity and independence of external auditors annually.

In recommending the re-appointment of the external auditors to the Board, the AC has considered the following:-

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

During the FYE 2019, the AC had completed the External Auditors' Performance Independence Evaluation Form adopted by the Company. The AC expressed their satisfaction on the services performed with overall performance rated as "satisfactory" and was of the view that Messrs. Moore Stephens Associates PLT ("**Moore Stephens**") is suitable, objective and independent to be re-appointed based on the following justifications:-

- Moore Stephens' active communication with the AC.
- Presentation of a comprehensive audit plan and audit findings report.
- Moore Stephens had provided the necessary quality of services required.
- Moore Stephens had sufficient resources to carry out the audit.
- Moore Stephens' independence policies i.e., declaration of independence in accordance with the By-Laws of the Malaysian Institute of Accountants (on Professional Ethics, Conduct and Practice) are in order.

The AC had then resolved to recommend the re-appointment of Moore Stephens as the external auditors of the Company at the 24th AGM of the Company.

8.4 The ARMC comprises solely of Independent Directors.

8.5 During the FYE 2019, the AC had completed the peer evaluation to assess the performance and skill sets of their peers, and the results were compiled by the Company Secretaries and tabled for the NC's review and to the Board for notation. The Board ensured that the AC as a whole is financially literate and has sufficient understanding of the Group's business and matters under the purview of the AC including the financial reporting process.

The AC has reviewed and provided advice on the financial statements which provide a true and fair view of the Company's financial position and performance.

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Intended Outcome 9.0

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

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

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

The AC is tasked with the duty to assess the Group's internal control environment to determine the adequacy and effectiveness of the system of internal controls put in place by the Management. The review covers the financial, operational, and compliance controls.

During the FYE 2019, the following risk management practices are adhered to within the Group:-

a) Periodic Management meetings led by the Group MD are conducted to deliberate on the risk issues faced by the Company and the necessary actions that have been taken to address those risks.

b) The Group MD has taken the initiative to report all the risk issues including business, market and operational risks, faced or may be faced by the Group and the necessary solutions to resolve these issues during the AC and Board meetings.

The AC has also taken on the responsibility to assess the risk issues as reported by the Group MD and to provide necessary advice to the Management to better manage the risk exposure before reporting to the Board for decision making and approval, where applicable.

The Board had on 30 September 2019 approved the Group's risk management framework for adoption and renaming of the AC to ARMC in order to reflect the duties and responsibilities of the ARMC in the area of risk management and internal control.

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

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

9.3 The Board had on 30 September 2019 approved the renaming of the AC to ARMC, which comprises solely the Independent Directors, and the Group's risk management framework for adoption.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (Continued)

Intended Outcome 10.0

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

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

The AC also assessed the scope of work, performance evaluation and budget for the internal audit function. Where a new appointment or removal may be required, the AC would decide on this accordingly. The internal audit report for the FYE 2019 was tabled to the AC for notation.

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

During the FYE 2019, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced internal auditors for the FYE 2018 and that they have the necessary authority to carry out their work.

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

The number of staff deployed for the internal audit reviews ranges from two (2) to three (3) per visit. The staff involved in the internal audit reviews possess professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia.

The Engagement Partner, Mr. Tan Yen Yeow has a diverse professional experience in internal audit, risk management and corporate governance advisory. Mr. Tan is a Chartered Accountant of the Malaysian Institute of Accountants and a fellow member of Institute of Internal Auditors Malaysia.

The internal auditors affirmed that all assigned internal auditors engagement team personnel have remained independent, objective and free from any relationships or conflicts of interest in carrying out their internal audit duties throughout the engagement.

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

I. COMMUNICATION WITH STAKEHOLDERS

Intended Outcome 11.0

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

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

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

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

I. COMMUNICATION WITH STAKEHOLDERS (Continued)

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

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

(a) Announcements to Bursa Securities

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

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

(b) Annual reports

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

(c) AGM/general meetings

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

(d) Corporate website

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

(e) Investor relations

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

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

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

II. CONDUCT OF GENERAL MEETINGS

Intended Outcome 12.0

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

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

The Annual Report, which contained the Notice of 24th AGM, was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which set out the business to be transacted at the AGM, was also published in a major local newspaper.

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

12.2 All the Directors of the Company attended the 24th AGM of the Company held on 30 November 2018. In compliance with the new MCCG, all the Directors of the Company will endeavour to attend all future general meetings and the Chair of the ARMC, NC, RC and other committees will provide meaningful response to questions addressed to them.

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

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

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

The Company has adopted poll voting, in accordance with Paragraph 8.29A of the MainLR, at its 24th AGM held on 30 November 2018 for all resolutions proposed.

Shareholders who are unable to attend the AGM are encouraged to submit the proxy forms to appoint proxy/proxies to attend, participate, speak and vote in their stead at the AGM.

As the Company does not have a large number of shareholders and less than fifty (50) shareholders normally attend its AGM, the Board views that the current practice will suffice.

Taking into account the intended outcome of this practice, the Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meeting remotely and may consider implementing the same in the future if there is a strong case for change and is in compliance with legal requirements.

The Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board passed on 30 September 2019.

INTRODUCTION

Acknowledging that businesses play a vital role in driving effective sustainable change, the Board of Directors ("**Board**") is pleased to present the Group's Sustainability Statement for the financial year ended 30 June 2019 ("**the Statement**"), which has been prepared in accordance with Practice Note 9 of the Main Market Listing Requirements and the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad.

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

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

SCOPE

This Statement covers Rex Industry Berhad and four (4) of its subsidiaries located in Malaysia, i.e.:-
- Rex Canning Co. Sdn. Bhd.
- Rex Trading Sdn. Bhd.
- Summit Teamtrade (2011) Sdn. Bhd.
- Cinta Edar (M) Sdn. Bhd.

And, collectively referred to as the "**Group**".

Information disclosed in this Statement comprises activities relating to:-
- Manufacturing of canned food, drinks and confectionaries.
- Trading/sales of canned food, drinks and confectionaries.
- Manufacturing, trade/sales of confectionaries.
- Trading of manufactured biscuit

Collectively, the above contributed to more than 47% of the Group's total revenue. Our reporting period is from 1 July 2018 to 30 June 2019, unless otherwise stated.

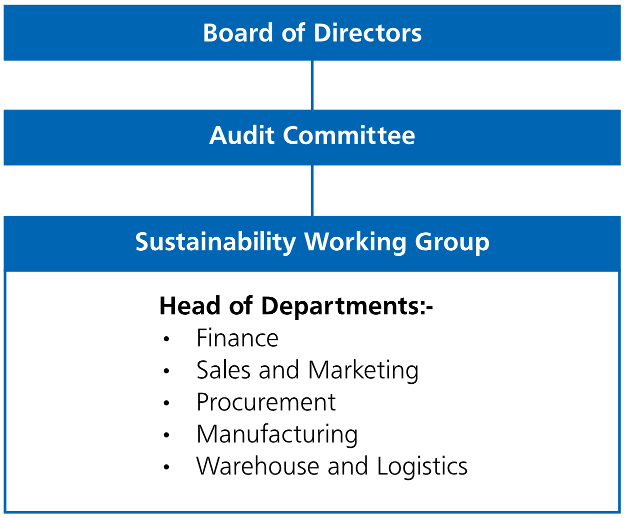
GOVERNANCE, STRUCTURE AND PROCESS

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

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

GOVERNANCE, STRUCTURE AND PROCESS (Continued)

The sustainability governance structure is illustrated as below:-



SUSTAINABIILTY STRATEGY

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

STAKEHOLDERS ENGAGEMENT

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

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

MATERIALITY SUSTAINABILITY MATTERS

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

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

The Group has established the following action plan to be executed and completed by the SWG during the coming financial years:-

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

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

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

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

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

SUSTAINABILITY EFFORTS

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

Economic

A. Product Quality and Safety

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

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

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

SUSTAINABILITY EFFORTS (Continued)

Environment

A. Effluent and waste management

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

B. Energy consumption

The retrofitting of the Group's Bukit Minyak production facility to natural gas was completed in March 2019.

Positives from this initiative include; eliminating the release of ash, soot and sulphur into the air and extending the life spans of the boiler and chimney. Gas is also cleaner because it is sludge free and being directly piped-in, gas is better insulated stable against supply disruptions.

Social

A. Workplace Safety & Health

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

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

B. Human resource management

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

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

C. Contribution to local community

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

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

1. COMPOSITION

The Audit Committee ("**AC**") had on 30 September 2019 been renamed to Audit and Risk Management Committee.

During the financial year ended 30 June 2019 ("**FYE 2019**"), the AC comprises three (3) members as follows, all of whom are Independent Non-Executive Directors and none of the them has appointed alternate directors, which is in line with Paragraph 15.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**MainLR**"):-

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

Furthermore, in adopting the Step Up Practice 8.4 of the Malaysian Code on Corporate Governance ("**MCCG**"), AC comprises solely of Independent Directors.

The Chairman of the AC, Mr. Tai Keat Chai, is a member of Malaysian Institute of Accountants fulfilling the requisite qualifications under Paragraph 15.09(1)(c) of the MainLR.

None of the AC members was previously a partner in the incumbent external auditors, Messrs. Moore Stephens Associates PLT in the previous two (2) years, nor did any of the AC members hold any financial interest in Messrs. Moore Stephens Associates PLT.

2. MEETING ATTENDANCE

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

Name	Number of Meetings attended
Mr. Tai Keat Chai (Chairman)	5 of 5
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	5 of 5
Encik Adnan bin Ahmad	5 of 5

* *The Meetings were held on 20 August 2018, 18 October 2018, 30 November 2018, 29 January 2019 and 21 May 2019.*

The audit partners of the external auditors responsible for the Group had attended three (3) AC Meetings held in the FYE 2019.

The AC had also met up with the external auditors without the presence of the Executive Director and management personnel twice during the FYE 2019 to comply with the requirement of having at least two (2) private sessions with the external auditors per year as stipulated in the Terms of Reference ("**TOR**").

3. TOR

The TOR of the AC was last reviewed by the AC and adopted by the Board of Directors ("**Board**") on 18 October 2018, which is in line with the MainLR and MCCG.

A copy of the latest TOR of the AC is available on the Company's website at www.rexmalaysia.com.

4. SUMMARY OF WORK OF THE AC

During the FYE 2019, the AC carried out the following work activities in the discharge of its duties, functions and responsibilities:-

<u>Financial performance and reporting</u>

a) Reviewed the Company's quarterly financial reports for the financial quarters ended 30 June 2018, 30 September 2018, 31 December 2018 and 31 March 2019, and recommended the same to the Board for approval.

b) Reviewed the following evaluation papers for adoption with effect from the financial year ended 30 June 2018 ("**FYE 2018**"), and recommended the same to the Board for approval:-
   - External auditors' performance and independence evaluation; and
   - Internal auditors' function evaluation.

c) Discussed the financial performance and updates on the corporate and business developments of the Group on quarterly basis.

d) Reviewed the Company's audited financial statements for the FYE 2018 to ensure that the financial statements and disclosures presented a true and fair view of the Company's financial position and performance for the said year and are in compliance with the provisions of the Companies Act 2016 as well as the applicable Malaysian Financial Reporting Standard, and recommended the same to the Board for approval.

<u>External audit</u>

a) Met twice with the external auditors without the presence of the Executive Director and management personnel.

b) Received the AC closing presentation prepared by the external auditors for the FYE 2018, covering matters to highlight, status of audit and salient accounting and auditing matters, etc.

c) Reviewed the audit planning memorandum for the FYE 2019 prepared by the external auditors, entailing mainly the overview of audit approach and timeline, key audit matters and areas of audit emphasis and accounting standard updates.

d) Reviewed the statutory audit fees for the FYE 2019 and recommended the same to the Board for approval.

e) Reviewed and approved the proposed fees in relation to the following non-audit services:-
   - Review of the Statement on Risk Management and Internal Control ("**SORMIC**"); and
   - Review of component auditors' working papers.

f) Reviewed the suitability, independence and performance of the external auditors for the FYE 2018 vide a formalised external auditors' performance and independence evaluation and being satisfied with the results of the said assessment, recommended to the Board to recommend to the shareholders for approval.

g) Inquired into the assistance given by the Management to the external auditors.

4. SUMMARY OF WORK OF THE AC (Continued)

Internal audit

a) Reviewed the internal audit reports, audit recommendations made and management response to those recommendations and reviewed the follow-up audits to ensure that appropriate actions were taken and recommendations of the internal auditors were implemented.

b) Assessed the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

Related Party Transactions ("**RPT**")

a) Reviewed the RPT and Recurrent RPT on quarterly basis to ensure that they are within the mandate approved by the shareholders at the previous Twenty-Fourth Annual General Meeting of the Company held on 30 November 2018.

b) Reviewed the Circular/Statement to Shareholders in relation to the Proposed Renewal of Existing Shareholders Mandate for Recurrent RPT and Proposed Share Buy-Back of up to ten per centum (10%) of the Issued Shares of the Company, and recommended the same to the Board for approval.

Other matters

a) Reported to the Board on the proceedings of each AC Meeting through the Chairman of the AC.

b) Reviewed the updated TOR of the AC and recommended the same to the Board for approval.

c) Reviewed and confirmed the minutes of the AC Meetings.

d) Reviewed the disclosures in AC Report, SORMIC and Corporate Governance Overview Statement, and recommended the same to the Board for approval for inclusion in the Annual Report 2018.

5. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to a professional internal audit service provider to assist the Board to oversee that the Management has put in place an effective internal control and governance system. The total costs incurred for the outsourced internal audit function of the Group for the FYE 2019 amounted to RM8,678.

The summary of work carried out by the internal auditors comprised the following:-

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

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

- Inventory management of Rex Canning Co. Sdn. Bhd.; and
- Credit notes of Rex Trading Sdn. Bhd.

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

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

The internal audit reviews carried out for the FYE 2019 did not reveal weaknesses that have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

Statement of Directors' Responsibility for Preparing The Financial Statements

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

The Directors consider that in preparing the financial statements for the financial year ended 30 June 2019:-

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

The Directors are also responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy at any time of the financial position of the Group, and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Statement by the Directors pursuant to Section 251(2) of the Companies Act 2016 is set out in the section headed "Statement by Directors" of the Directors' Report enclosed with the Group's consolidated annual audited financial statements for the financial year ended 30 June 2019.

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

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

Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control ("**Statement**") by the Board of Directors ("**Board**") of Rex Industry Berhad ("**REX**") is made in respect of the financial year ended 30 June 2019 pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**MainLR**") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Berhad.

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

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

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

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

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

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

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

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

* The Audit Committee had on 30 September 2019 been renamed to Audit and Risk Management Committee.

The Internal Auditors perform Internal Audits on major operating units and other management areas deemed appropriate within the Group. Based on their assessment, the Internal Auditors will provide the Audit and Risk Management Committee with reports highlighting their observations, recommendations and corrective action taken by Management to ensure adequacy, integrity and appropriate improvements to the system of internal control. Follow-up Internal Audits to assess implementation of past audit findings are also carried out to ensure effectiveness of the system of internal control implemented. During the financial year, the Internal Auditors reviewed the inventory management of a subsidiary. Their report has been presented to the Audit and Risk Management Committee.

Subsequent to the financial year end, the Audit and Risk Management Committee has formalised the Risk Management Framework and Policies of the Group. Under the Risk Management Framework, the Audit and Risk Management Committee oversees the risk management process of the Group, and it is assisted by Risk Management Working Groups ("**RMWG**") formed at subsidiary level.

Risks are assessed by the RMWG by employing the following methodologies:
- Identification of risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

The report of RMWG will be presented to the Audit and Risk Management Committee at quarterly meetings, highlighting key risks and risk management activities carried out during that period.

The Board is generally satisfied with the existing system of risk management and internal control which has not resulted in any significant breakdown or weaknesses that could give rise to material losses incurred by the Group during the financial year under review or requires disclosure in the Annual Report 2019. Nevertheless, the Board recognises the review and improvement to the existing system of risk management and internal control is an on-going process to accommodate evolving business needs. The Board believes that with the assistance from the Internal Auditors, the system of internal control of the Group could be closely managed, monitored and improved over time.

Conclusion

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

Review of the Statement by External Auditors

The external auditors of REX have reviewed this Statement for inclusion in the Annual Report of REX for the financial year ended 30 June 2019. Their review was conducted in accordance with Recommended Practice Guide 5 (Revised), ["**RPG 5 (Revised)**"], Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by the Malaysian Institute of Accountants (MIA). RPG 5 (Revised) does not require the external auditors to, and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. RPG 5 (Revised) also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems. Based on the review of the external auditors, they have reported to the Board that nothing has come to the attention of the external auditors that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

This Statement on Risk Management and Internal Control has been approved by the Board of REX on 4 October 2019.

Additional Compliance Information

In conformance with Bursa Malaysia Securities Berhad Main Market Listing Requirements, the following information is provided:-

1. Utilisaton of Proceeds raised from Corporate Proposals

No proceeds were raised by the Company and its subsidiaries ("**the Group**") from any corporate proposal during the financial year ended 30 June 2019 ("**FYE 2019**").

2. Audit and Non-Audit Services

During the FYE 2019, Messrs. Moore Stephens Associates PLT, the External Auditors, has rendered certain audit and non-audit services to the Company and the Group. A breakdown of the fees paid is as follows:-

Item	Company (RM)	Group (RM)
Audit services rendered		
Statutory Audit in respect of the FYE 2019	52,000	209,369
Non-audit services rendered		
a) Review of Statement on Risk Management and Internal Control b) Review of Component Auditors' working papers	5,000 10,000	5,000 10,000
Total	67,000	224,369

3. Material Contracts involving Directors' and Major Shareholders' Interests

There are no material contracts entered into by the Group involving Directors' and major shareholders' interests or are still subsisting, since the end of the previous financial year ended 30 June 2018.

Our History and Business

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

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

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

Our Policy

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

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

Financial Performance

For the Financial Year under review, the Group registered a turnover of RM136.61 million, an increase of 4.8% over Financial Year 2018's turnover of RM130.32 million. This increase was mainly attributed to our overseas' subsidiary that experienced in an upsurge in demand of our products in both the American and European markets.

The pre-tax loss of RM14.3 million in Financial Year 2019 was brought about mainly by higher operational costs and increased spend to compete against intense competition in the domestic market. The higher spend was needed for introduction of new products, Continued market penetration and market share growth initiatives. The Sale and Services Tax that was implemented on the 1st September 2018 also put a damper on our financial performance as this additional tax element was not fully passed on to our price sensitive consumers. Additionally we incurred an allowance for expected credit loss of RM0.92 million on trade and other receivables, allowance of RM1.01 million for inventory obsolescence and write-off, impairment loss of goodwill amounting to RM0.85 million and a fair value loss of RM0.17 million on other investments.

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

REX GROUP (All in RM'000)	**FY 2018**	**FY 2019**
Revenue	130,323	136,608
Loss before tax	(15,020)	(14,317)

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

Financial Highlights

	31 Dec 14 RM'000	**30 Jun 16 RM'000**	**30 Jun 17 RM'000**	**30 Jun 18 RM'000**	**30 Jun 19 RM'000**
Statement of Profit and Loss					
Turnover (Continuing operations)	145,022	196,182	130,175	130,323	136,608
Turnover (DisContinued operations)	-	-	46,526	9,470	-
Profit/(Loss) before Tax after Minority Interest	768	(4,788)	3,255	(15,153)	(13,297)
Interest	1,167	1,231	1,070	1,539	1,905
Profit/(Loss) after Tax and Minority Interest	768	(4,788)	3,255	(15,153)	(13,297)
Dividend	-	-	-	(1,233)	-
Statement of Financial Position					
Paid-up Share Capital	56,052	61,657	73,743	73,743	73,743
Shareholders Funds	132,254	137,852	142,466	126,422	113,672
Borrowings	24,264	14,013	21,888	29,946	36,472
Net Tangible Assets	123,622	129,963	134,577	118,533	107,635

Financial Ratio	31 Dec 14 RM'000	30 Jun 16 RM'000	30 Jun 17 RM'000	30 Jun 18 RM'000	30 Jun 19 RM'000
Investment Ratio					
NTA per share	2.21	2.11	2.18	0.48	0.43
Basic Earning/(Loss) Per Share (Sen)	1.38	(8.09)	5.27	(8.05)	(5.39)
Gross Dividend rate (%)	-	-	2.00	-	-
Dividend coverage ratio (times)	-	-	2.64	-	-
Operating Ratio					
After tax return on shareholders' fund (%)	0.58	(3.47)	2.23	(11.93)	(11.70)
Pre-tax profit margin (%)	2.45	(0.99)	1.74	(11.53)	(10.48)
Financial Ratio					
Gearing (times)	0.183	0.102	0.154	0.237	0.321
Interest Coverage ratio	4.05	(0.95)	3.20	(8.76)	(6.52)
Liquidity ratio					
Current ratio	2.75	3.33	2.45	2.34	1.81
Quick ratio	1.19	1.91	1.31	1.26	0.99

Note:

1) The issued ordinary shares of the Company was increased from 61,656,617 to 246,626,468 unit of ordinary shares by way of issuance of 184,969,851 new ordinary shares arising from share split exercise. The share split has been completed following the listing on the Main Market of Bursa Malaysia Securities Berhad on 24 October 2017.

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

Changes in the composition of the Group

There were no changes in the composition of the Group for the financial year ended 30 June 2019.

Outlook and Prospects

The outlook for financial year July 2019 to June 2020 remains challenging. However, with Continued focus on product innovation and our current product portfolio we remain optimistic of delivering a better performance.

New competitors continue to come into the market, increasing choices for consumers and putting pressure on margins, while incumbent players implemented aggressive discounting to defend and gain market share. The implementation of the soda tax in July 2019, added another challenge to the market.

Our persistent emphasis on product innovation, market penetration, new product launches and consumer engagement have put us in good stead to face the head wind.

Rex Coco ready to drink and Rex Energy in stubby can, introduced last year continue to gain acceptance whilst lowered sugar beverages opens a new opportunity for us. The price re-positioning of some of our core canned products coupled with the reintroduction of our shellfish products further strengthen our positive outlook.

Notwithstanding the foregoing, we will continue to keep a close eye on improving cost and production efficiencies, to enable us to pursue and grow our export business more vigorously.

All said the Company is confident that strategies and plans in place will strengthen our market position and put us on a growth trajectory.

Acknowledgements

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

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

DARMENDRAN KUNARETNAM
Group Managing Director

Class of Securities	:	Ordinary Shares
Total Number of Holders	:	837
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	18	2.15	368	0.00
100 – 1,000	78	9.32	27,780	0.01
1,001 – 10,000	378	45.16	2,089,576	0.85
10,001 – 100,000	275	32.86	8,137,112	3.30
100,001 – 12,331,322 (*)	86	10.27	184,205,032	74.69
12,331,323 and above (**)	2	0.24	52,166,600	21.15
TOTAL	**837**	**100.00**	**246,626,468**	**100.00**

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

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The names of the substantial shareholders of Rex Industry Berhad and their respective shareholdings based on the Register of Substantial Shareholders of the Company as at 4 October 2019 are as follows:

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

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

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of Rex Industry Berhad based on the Register of Directors' Shareholdings of the Company as at 4 October 2019 are as follows:

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

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

Thirty (30) Largest Securities Account Holders
As At 4 October 2019

No.	Name of Shareholders	No. of Shares	(%)
1.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (HDM Capital Sdn. Bhd. for Daiman Taipan Sdn. Bhd.)	33,707,000	13.67
2.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Daiman Taipan Sdn. Bhd.)	18,459,600	7.48
3.	Archer Horizons Sdn. Bhd.	12,000,000	4.87
4.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	11,404,000	4.62
5.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	10,085,252	4.09
6.	Taiko Voyage Sdn. Bhd.	9,786,800	3.97
7.	Melody Station Sdn. Bhd.	8,294,300	3.36
8.	AMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Central Portfolio Sdn. Bhd.)	6,813,000	2.76
9.	Cheong Boo Chin	6,050,000	2.45
10.	Tan Kee Shang	5,795,656	2.35
11.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Kamlesh Kumar)	5,553,600	2.25
12.	Lee Sew Keng	5,183,228	2.10
13.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	5,060,000	2.05
14.	TA Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Tay Ben Chuan)	4,602,000	1.87
15.	Kamlesh Kumar	4,248,600	1.72
16.	Lee Chai Seng	4,188,920	1.70
17.	Teo Kwee Hock	4,106,400	1.67
18.	AMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Seamless Strength Sdn. Bhd.)	4,088,400	1.66
19.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Exempt an for Affin Hwang Asset Management Berhad)	4,012,000	1.63
20.	Thevandran A/L K. Ragavan	4,000,000	1.62
21.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teo Siew Lai)	3,902,200	1.58
22.	Daiman Taipan Sdn. Bhd.	3,599,100	1.46
23.	Vivadoor Sdn. Bhd.	3,571,300	1.45
24.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Mohd Ibrahim bin Mohd Zain)	3,530,800	1.43
25.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Thevandran A/L K. Ragavan)	3,320,000	1.35
26.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Ng L'Yp-Hau)	3,244,000	1.32
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Deutsche Trustees Malaysia Berhad for Affin Hwang Flexi FundII)	3,124,000	1.27
28.	Maybank Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	3,025,600	1.23
29.	Lim Ee Yong	2,961,612	1.20
30.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Melody Station Sdn. Bhd.)	2,650,000	1.07
	TOTAL	**200,367,368**	**81.24**


REX
REX INDUSTRY BERHAD
30%
P. T. REX CANNING INDONESIA
70%
REX CANNING CO. SDN. BHD.
100%
REX TRADING SDN. BHD.
100%
REX FOODS SDN. BHD.
100%
SUMMIT TEAMTRADE (2011) SDN. BHD.
100%
CINTA EDAR (M) SDN. BHD.
100%
CINTA EDAR (SELATAN) SDN. BHD.
100%
BEST AQUA FOOD SDN. BHD.
100%
GAINASA INTERNATIONAL LIMITED
100%
FIKA FOODS MARKETING SDN. BHD.
100%
FIKA FOODS CORPORATIONS SDN. BHD.
100%

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 10 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the year, net of tax	(13,297,252)	(1,461,446)
Loss attributable to:		
Owners of the parent	(13,297,252)	

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES OR DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not recommend any final dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

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

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

* *Being a Director of one or more subsidiaries*

DIRECTORS OF THE SUBSIDIARIES

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

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

Vong Nee Toh
Lee Pek Choon — Resigned on 31 May 2019

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.7.2018 Unit	**Bought Unit**	**Sold Unit**	**At 30.6.2019 Unit**
Name of Director				
Ordinary shares in the Company				
Direct interest:				
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	3,530,800	-	-	3,530,800
Darmendran Kunaretnam	31,274,852	-	-	31,274,852
Indirect interest:				
Darmendran Kunaretnam*				
- Daiman Taipan Sdn. Bhd.	55,765,700	-	-	55,765,700
Chee Cheng Chun*				
- Daiman Taipan Sdn. Bhd.	55,765,700	-	-	55,765,700

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

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

DIRECTORS' REMUNERATION AND BENEFITS

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

	Company RM	Subsidiaries RM
Salaries and other emoluments	-	856,800
Contributions to defined contribution plan	-	137,088
Social security contribution	-	924
Fee	237,100	-
	237,100	994,812

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than as disclosed in Note 25 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (Continued)

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

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

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

(d) In the opinion of the Directors:

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

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

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

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM224,369.

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

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

SIGNIFICANT EVENT

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

AUDITORS

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

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 September 2019.

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN

TAI KEAT CHAI

Statement by Directors

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 63 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 September 2019.

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN

TAI KEAT CHAI

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act, 2016

I, LIM GEIK FONG, being the Officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 63 to 126 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 30 September 2019

LIM GEIK FONG

Before me,

TAN KIM CHOOI
W661

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rex Industry Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matters	Our audit performed and responses thereon
Valuation of inventories As at 30 June 2019, as shown in Note 13 to the financial statements, the Group's inventories amounted to RM48.4 million which represented 27% of the Group's total assets. The balance is a material balance for the Group which requires management judgement in determining an appropriate costing basis and in assessing adequacy of allowance for inventory obsolescence. The Group uses standard costing in measuring its manufactured inventories which includes an element of estimation in the allocation of overhead costs. We focused on this area due to the significance of the inventories balance and the assessment involving management judgement and estimation.	We have performed the following procedures: • Attended and observed physical stock take procedures as at financial year end; • Discussed with management and obtained an understanding of management's process in determining appropriate costing basis, including the allocation of overhead costs; • Designed and performed control effectiveness testing on the standard costing module on sampling basis; • Tested the costing on samples of manufactured inventories by examining elements which made up the standard cost and by comparing the standard cost against actual cost; • Performed net realisable value ("NRV") test on sampling basis to ensure inventories are stated at lower of cost and NRV; and • Obtained understanding of management's process in determining allowance for inventory obsolescence and tested the reliability of the inventory aging report and assessed the adequacy of allowance for slow moving and obsolete inventories.
Recoverability of trade receivables As at 30 June 2019, as shown in Note 14 to the financial statements, the Group's trade receivables amounted to RM31.7 million which represented 18% of the Group's total assets. We focused on this area due to the substantial sum outstanding and the significant judgements made by the Directors over assumptions about the risk of default, expected loss rate and timing of collection. In making these assumptions, the Directors selected inputs to the impairment calculation, based on historical trend of collection and forward looking estimation.	We have performed the following procedures: • Verified the balances of trade receivables by circularisation of confirmations on sampling basis; • Reviewed the reliability of ageing of trade receivables at year end on a sampling basis and understand the credit exposures which were significantly overdue or assessed to be in default through analysis of ageing reports prepared by management; • Obtained a list of long outstanding trade receivables and identified any debtors with financial difficulty through discussion with management; and • Reviewed management's assessment on the recoverability of past due debts to assess the sufficiency of allowance for trade receivables through specific and collective provisions with reference to subsequent settlement trend, historical payment pattern of the customer, historical trend of bad debts or impairment provided for and correlation with macroeconomic factors.

Key Audit Matters (Continued)

Key audit matters	Our audit performed and responses thereon
Valuation of goodwill As at 30 June 2019, as shown in Note 12 to the financial statements, the Group's goodwill amounted to RM7.0 million, which represented 4% of the Group's total assets. The Group is required to perform an annual impairment test or more frequently when indication of impairment exists on goodwill which arose from the Group's acquisition of the two (2) subsidiaries in prior years. The Group applies the value-in-use ("VIU") method to estimate the recoverable amounts of the goodwill. We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating unit ("CGU") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of future revenue growth rate, gross margin, the long-term growth rate and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.	We have performed the following procedures: • Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors; • Compared the key assumptions including projected revenue, growth rates, gross margin and discount rates against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available; • Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the goodwill; and • Assessed the appropriateness of the financial statements disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.
Impairment review of investment in and amounts due from subsidiaries As at 30 June 2019, as shown in Note 10 and Note 15 to the financial statements, the Company's investment in and amounts due from subsidiaries amounted to RM41,088,617 and RM30,259,713 respectively, which represented 56% and 42% of the Company's total assets. The Company determined whether there is any indication of impairment for investments in and amounts due from subsidiaries. There was indication of impairment in two of the operating subsidiaries and the recoverable amounts were determined based on value-in-use which involves significant judgement on the discount rates applied and the assumptions which support the underlying cash flows projections that include estimation of the future cash inflows and outflows that will derived from the operating entities.	We have performed the following procedures: • Reviewed actual results with budgeted results to assess the performance of the business and reliability of the projection process; • Reviewed the cash flows projections by comparing the assumptions to historical data as well as our assessment in relation to key assumptions such as discount rate, operating expenses, revenue and gross profit margins; • Tested the mathematical accuracy of the cash flow projections calculations; and • Performed sensitivity analysis for a range of reasonably possible scenarios.

Key Audit Matters (Continued)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

Key Audit Matters (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

Other matter

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

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2021J
Chartered Accountant

Petaling Jaya, Selangor
Date: 30 September 2019

Statements of Comprehensive Income
For The Financial Year Ended 30 June 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	4	136,608,859	130,323,904	-	-
Changes in manufactured inventories		(4,146,440)	(6,821,176)	-	-
Raw materials and consumables used		(88,446,454)	(77,607,732)	-	-
Staff costs		(22,755,433)	(22,059,144)	-	-
Depreciation		(3,632,809)	(3,557,834)	-	-
Other expenses		(31,233,308)	(37,141,020)	(1,461,584)	(1,186,041)
Other income		1,193,844	3,307,816	138	4,532
Loss from operations		(12,411,741)	(13,555,186)	(1,461,446)	(1,181,509)
Finance costs	5	(1,905,387)	(1,539,532)	-	-
Loss before tax	6	(14,317,128)	(15,094,718)	(1,461,446)	(1,181,509)
Income tax expense	7	1,019,876	(58,194)	-	-
Loss for the year, representing total comprehensive income for the year		(13,297,252)	(15,152,912)	(1,461,446)	(1,181,509)
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		943,238	(899,474)	-	-
Items that will not be reclassified subsequently to profit or loss					
Defined benefit plan actuarial gain		161,292	8,326	-	-
Total other comprehensive income for the year		1,104,530	(891,148)	-	-
Total comprehensive income for the year		(12,192,722)	(16,044,060)	(1,461,446)	(1,181,509)
Loss for the year attributable to:					
Owners of the Company		(13,297,252)	(15,152,912)	(1,461,446)	(1,181,509)
Total comprehensive income attributable to:					
Owners of the Company		(12,192,722)	(16,044,060)	(1,461,446)	(1,181,509)
Loss per ordinary share attributable to Owners of the Company:					
Basic (sen):	8	(5.39)	(8.05)		

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

Statements of Financial Position
As At 30 June 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	62,151,890	63,023,803	-	-
Investments in subsidiaries	10	-	-	41,088,617	41,888,617
Other investment	11	1,386,000	1,554,000	1,386,000	1,554,000
Goodwill on consolidation	12	7,037,480	7,889,127	-	-
		70,575,370	72,466,930	42,474,617	43,442,617
Current assets					
Inventories	13	48,412,666	49,370,879	-	-
Trade receivables	14	31,741,941	26,589,213	-	-
Other receivables	15	16,223,495	9,170,373	30,288,675	30,745,564
Tax recoverable		667,193	694,529	31,320	31,320
Cash and bank balances	16	10,203,759	20,480,518	19,628	35,598
		107,249,054	106,305,512	30,339,623	30,812,482
Non-current assets classified as held for sale	17	-	466,555	-	-
		107,249,054	106,772,067	30,339,623	30,812,482
Total assets		177,824,424	179,238,997	72,814,240	74,255,099

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity					
Share capital	18	73,742,421	73,742,421	73,742,421	73,742,421
Translation reserve	19	(727,541)	(1,670,779)	-	-
Retained earnings/ (Accumulated losses)		40,657,575	54,350,311	(3,475,996)	(2,014,550)
Total equity attributable to Owners of the Company		113,672,455	126,421,953	70,266,425	71,727,871
Non-current liabilities					
Borrowings	20	3,382,288	4,017,659	-	-
Deferred tax liabilities	21	1,544,777	3,124,286	-	-
		4,927,065	7,141,945	-	-
Current liabilities					
Borrowings	20	33,090,051	25,928,324	-	-
Trade payables	22	9,012,728	7,219,787	-	-
Other payables	23	16,542,055	12,526,988	2,547,815	2,527,228
Contract liability	24	580,070	-	-	-
		59,224,904	45,675,099	2,547,815	2,527,228
Total liabilities		64,151,969	52,817,044	2,547,815	2,527,228
Total equity and liabilities		177,824,424	179,238,997	72,814,240	74,255,099

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

		← Attributable to Owners of the Company →			
		← Non-distributable →		Distributable	
	Note	Share Capital RM	Translation Reserve RM	Retained Earnings RM	Total Equity RM
Group					
At 1 July 2017		73,742,421	(771,305)	69,494,897	142,466,013
Foreign currency translation difference for foreign operations		-	(899,474)	-	(899,474)
Defined benefit plan actuarial gain	23(a)	-	-	8,326	8,326
Total other comprehensive income for the year		-	(899,474)	8,326	(891,148)
Loss for the financial year		-	-	(15,152,912)	(15,152,912)
Total comprehensive income for the year		-	(899,474)	(15,144,586)	(16,044,060)
At 30 June 2018		73,742,421	(1,670,779)	54,350,311	126,421,953
At 1 July 2018		73,742,421	(1,670,779)	54,350,311	126,421,953
Effect of adoption of MFRS 9	2(a)(i)	-	-	(556,776)	(556,776)
At 1 July 2018, restated		73,742,421	(1,670,779)	53,793,535	125,865,177
Foreign currency translation difference for foreign operations		-	943,238	-	943,238
Defined benefit plan actuarial gain	23(a)	-	-	161,292	161,292
Total other comprehensive income for the year		-	943,238	161,292	1,104,530
Loss for the financial year		-	-	(13,297,252)	(13,297,252)
Total comprehensive income for the year		-	943,238	(13,135,960)	(12,192,722)
At 30 June 2019		73,742,421	(727,541)	40,657,575	113,672,455

	Non-distributable Share Capital RM	Accumulated Losses RM	Total Equity RM
Company			
At 1 July 2017	73,742,421	(833,041)	72,909,380
Loss for the financial year, representing total comprehensive income for the year	-	(1,181,509)	(1,181,509)
At 30 June 2018	73,742,421	(2,014,550)	71,727,871
At 1 July 2018	73,742,421	(2,014,550)	71,727,871
Loss for the financial year, representing total comprehensive income for the year	-	(1,461,446)	(1,461,446)
At 30 June 2019	73,742,421	(3,475,996)	70,266,425

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash Flows from Operating Activities					
Loss before tax		(14,317,128)	(15,094,718)	(1,461,446)	(1,181,509)
Adjustments for:					
Allowance for expected credit loss on:					
- Trade receivables		902,449	1,352,281	-	-
- Other receivables		9,051	616,044	-	-
Allowance for inventories obsolescences		254,644	-	-	-
Depreciation of property, plant and equipment		3,632,809	3,557,834	-	-
Disputed other receivable written off		-	1,020,000	-	-
Fair value loss on other investment		168,000	588,000	168,000	588,000
Gain on disposal of property, plant and equipment		(7,094)	(40,655)	-	-
Gain on disposal of non-current assets classified as held for sale		(533,445)	-	-	-
Impairment loss on goodwill		851,647	-	-	-
Impairment loss on investment in subsidiary		-	-	800,000	-
Interest expense		1,905,387	1,539,532	-	-
Interest income		(408,215)	(523,259)	(138)	(4,532)
Inventories written off		752,189	464,938	-	-
Property, plant and equipment written off		-	61,436	-	-
Reversal of impairment loss on:					
- Trade receivables		(88,718)	(168,459)	-	-
- Other receivables		-	(1,053,133)	-	-
Unrealised loss/(gain) on foreign exchange		477,349	(1,494,423)	5,225	-
Operating loss before changes in working capital, balance carried down		(6,401,075)	(9,174,582)	(488,359)	(598,041)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Operating loss before changes in working capital, balance brought down		(6,401,075)	(9,174,582)	(488,359)	(598,041)
Changes in working capital:					
Inventories		890,095	4,213,331	-	-
Trade and other receivables		(12,477,963)	11,147,724	(1,591)	(529)
Trade and other payables		4,942,342	(3,035,210)	45,434	(190,672)
Cash (used in)/generated from operations		(13,046,601)	3,151,263	(444,516)	(789,242)
Dividend paid		-	(1,233,133)	-	(1,233,133)
Interest received		408,215	523,259	138	4,532
Interest paid		(1,905,387)	(1,539,532)	-	-
Tax refund		357,799	343,294	-	-
Tax paid		(881,554)	(772,794)	-	-
Net cash (used in)/from operating activities		(15,067,528)	472,357	(444,378)	(2,017,843)
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	9(ii)	(2,397,072)	(5,564,832)	-	-
Proceeds from disposal of property, plant and equipment		35,500	76,581	-	-
Proceeds from disposal of non-current assets classified as held for sale		1,000,000	-	-	-
Net cash used in investing activities		(1,361,572)	(5,488,251)	-	-
Cash Flows from Financing Activities					
Net repayment from subsidiaries		-	-	428,408	1,307,273
Net drawdown of borrowings		5,725,569	10,507,820	-	-
Repayment of finance lease payables		(376,824)	(662,439)	-	-
Net cash from financing activities		5,348,745	9,845,381	428,408	1,307,273

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Net (decrease)/increase in cash and cash equivalents		(11,080,355)	4,829,487	(15,970)	(710,570)
Cash and cash equivalents at beginning of the financial year		20,242,120	15,412,633	35,598	746,168
Cash and cash equivalents at the end of the financial year		9,161,765	20,242,120	19,628	35,598

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash and cash equivalents	16	5,613,507	4,625,540	19,628	35,598
Short-term repurchase agreement ("REPO")	16	4,590,252	15,854,978	-	-
		10,203,759	20,480,518	19,628	35,598
Less: Bank overdrafts	20	(1,041,994)	(238,398)	-	-
		9,161,765	20,242,120	19,628	35,598

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

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 10. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 30 September 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards complied and the requirements of the Companies Act, 2016 in Malaysia.

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

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

The Group and the Company had adopted the following new MFRSs, Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Clarification to MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRSs 2014-2016 Cycle

2. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

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

(i) Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int (Continued)

The adoption of the new MFRSs, Amendments/Improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Group and the Company, except for:-

MFRS 9 Financial instruments

Classification and measurement

Trade, other receivables and other financial assets previously classified as Loans and Receivables under MFRS 139 Financial Instruments: Recognition and Measurement as at 30 June 2018 are measured at amortised cost and there is no material difference in the measurement upon adoption of MFRS 9.

Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Additional impairment losses are recognised at the date of initial application i.e. 1 July 2018.

The following table shows a reconciliation of the carrying amount of the Group's statements of financial position from MFRS 139 as loans and receivables to MFRS 9 as amortised cost at 1 July 2018:

	As previously reported (MFRS 139) RM	Remeasurement RM	Restated (MFRS 9) RM
Group			
Trade receivables:			
Opening balance	26,589,213	-	26,589,213
Increase in allowance for expected credit loss	-	(556,776)	(556,776)
	26,589,213	(556,776)	26,032,437
Retained earnings:			
Opening balance	54,350,311	-	54,350,311
Increase in allowance for expected credit loss	-	(556,776)	(556,776)
	54,350,311	(556,776)	53,793,535

2. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

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

(i) Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int (Continued)

MFRS 15 *Revenue from Contracts with Customers*

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below:-

Accounting for volume rebate

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

When the customer is entitled to the volume rebates, revenue was previously adjusted with rebate which recognised at an incurred basis. Under MFRS 15, revenue is accounted for the expected value of rebate to be given and is adjusted for the expected volume rebate.

Therefore, a refund liability for the expected future rebates are recognised as contract liability in the statements of financial position.

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

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

Effective for financial periods beginning on or after 1 January 2019

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

Effective for financial periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material

2. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

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

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

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

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

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and the Company upon their initial applications, except as described below:-

MFRS 16 Leases

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

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

2. BASIS OF PREPARATION (Continued)

(d) Significant accounting estimates and judgements

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

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

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

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on diminishing balance method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 99 years.

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

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

(ii) Income taxes

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

(iii) Impairment of non-financial assets

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

2. BASIS OF PREPARATION (Continued)

(d) Significant accounting estimates and judgements (Continued)

(iv) Impairment of goodwill

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

(v) Impairment of financial assets and receivables

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

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

In adoption of MFRS 9, the Group assesses on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(vi) Write off of inventories

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

(vii) Deferred tax assets and liabilities

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

(viii) Carrying value of investments in subsidiaries

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

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

2. BASIS OF PREPARATION (Continued)

(d) Significant accounting estimates and judgements (Continued)

(ix) Fair value estimates for certain financial assets and liabilities

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

(x) Contingent liabilities

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

(xi) Defined benefit plan

The cost of retirement benefit, death benefit, disability benefit and resignation benefit as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, salary increment rate, mortality rate, disability rate and resignation rate. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management has derived the applicable interest rates from the market yield on government bond which sourced from Indonesia Bond Pricing Agency ("IBPA") per date of calculation.

The details of the other assumptions are further disclosed in Note 23(a).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Consolidation (Continued)

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

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Business combination

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Business combination (Continued)

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

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

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

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

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

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

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

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

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

Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

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

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

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

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

(c) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue and other income recognition (Continued)

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Other revenue earned by the Group and the Company are recognised on the following bases:

<u>Interest income</u>

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

(d) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(d) **Employee benefits** (Continued)

(iii) Defined benefit plans (Continued)

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

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

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

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

(iv) Voluntary separation scheme

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

(e) **Borrowing costs**

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

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes

Current tax

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

Deferred tax

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

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

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

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

(g) Leases

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

(i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(ii) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

(h) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

(i) Property, plant and equipment

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

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(iii) Depreciation

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

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

Leasehold land	1% – 1.7%
Buildings	2%
Plant, machinery and factory equipment	5% – 20%
Furniture, fittings and office equipment	5% – 20%
Motor vehicles	20%

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

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

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

(j) Capital Work-In-Progress

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

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

(k) Intangible assets

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

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

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

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

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

- cost of raw materials and packaging materials comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads.

(m) Cash and cash equivalents

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

(n) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments,* the Group and the Company have elected not to restate the comparatives.

(i) Initial recognition and measurement

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

(i) Initial recognition and measurement (Continued)

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see note 3(o)(i)] where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment [see note 3(o)(i)].

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

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

Financial assets (Continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139 *Financial Instruments: Recognition and Measurement* as follows:

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 3(o)(i)].

Financial liabilities

Current financial year

The category of financial liabilities at initial recognition is as follows:

<u>Amortised cost</u>

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) Financial guarantee contracts

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

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(v) Regular way purchase or sale of financial assets

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(o) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments,* the Group and the Company have elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group and the Company are measured on either of the following bases:-

(i) 12-month ECL – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - trade receivables

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment (Continued)

(i) Financial assets (Continued)

General approach - other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company consider an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held).

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (eg. the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment (Continued)

(i) Financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment (Continued)

(ii) Non-financial assets (Continued)

An impairment loss recognised for goodwill is not reversed.

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

(p) Equity instruments

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

Ordinary shares

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

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(r) Operating segments

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

(s) Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

The Group provides retrospective volume rebates and other discounts to customers. Rebates and discounts are offset against amount payable by the customer. To estimate the variable consideration for the expected future rebates and discounts, the Group applies the most likely amount method. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

(u) Non-current asset held for sale or distribution to owners

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

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

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

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

(v) Fair value measurements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Fair value measurements (Continued)

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

4. REVENUE

The Group sells a range of manufactured canned foods, drinks and biscuits. Revenue from sales of manufactured products are recognised at a point in time when control of the products had been transferred, being when the customers accepted and acknowledged the delivery of goods.

(a) Disaggregation of revenue by segment is disclosed in Note 28.

(b) The accounting policy for the Group's revenue is disclosed in Note 3(c).

5. FINANCE COSTS

	Group	
	2019 RM	**2018 RM**
Interest expense:		
- Term loans	229,314	114,800
- Bank overdrafts	74,716	58,945
- Finance lease payables	32,903	45,156
- Bankers' acceptances	1,389,897	1,154,987
- Revolving credit	178,557	165,644
	1,905,387	1,539,532

6. LOSS BEFORE TAX

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Auditors' remuneration:				
- Current year	209,369	194,230	52,000	48,000
Non-audit fees:				
- Current year	15,000	15,000	15,000	15,000
Allowance for expected credit loss on:				
- Trade receivables	902,449	1,352,281	-	-
- Other receivables	9,051	616,044	-	-
Allowance for inventories obsolescences	254,644	-	-	-
Depreciation of property, plant and equipment	3,632,809	3,557,834	-	-
Disputed other receivable written off	-	1,020,000	-	-
Fair value loss on other investment	168,000	588,000	168,000	588,000
Gain on disposal of property, plant and equipment	(7,094)	(40,655)	-	-
Gain on disposal of non-current assets classified as held for sale	(533,445)	-	-	-
Impairment loss on goodwill	851,647	-	-	-
Impairment loss on investment in subsidiary	-	-	800,000	-
Interest income	(408,215)	(523,259)	(138)	(4,532)
Inventories written off	752,189	464,938	-	-
Property, plant and equipment written off	-	61,436	-	-
Rental of premises	1,074,403	924,969	-	-
Rental of equipment	30,281	44,711	-	-
Realised loss on foreign exchange	453,051	1,087,630	-	-
Reversal of impairment loss on:				
- Trade receivables	(88,718)	(168,459)	-	-
- Other receivables	-	(1,053,133)	-	-
Employees benefit expenses (Note a)	22,755,433	22,059,144	-	-
Unrealised loss/(gain) on foreign exchange	477,349	(1,494,423)	5,225	-

6. LOSS BEFORE TAX (Continued)

(a) Employees benefit expenses comprise:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Staff costs				
Salaries, wages, allowances and overtime	20,226,316	19,854,704	-	-
Voluntary seperation scheme	254,387	-	-	-
Defined benefit plan	314,958	285,057	-	-
Contributions to defined contribution plan	844,145	780,283	-	-
Social security contributions	120,815	94,474	-	-
	21,760,621	21,014,518	-	-
Directors of the Company				
Executive Directors				
Salaries and other emoluments	856,800	856,780	-	-
Contributions to defined contribution plan	137,088	137,088	-	-
Social security contributions	924	758	-	-
Non-executive Directors				
Fees	237,100	215,200	237,100	215,200
	1,231,912	1,209,826	237,100	215,200
Director of a Subsidiary				
Executive Director				
Fee	-	50,000	-	-
Total Directors' remuneration	1,231,912	1,259,826	237,100	215,200
Total staff costs (excluding non-executive directors)	22,755,433	22,059,144	-	-

7. INCOME TAX EXPENSE

	Group	
	2019	2018
	RM	RM
Current income tax:		
- Malaysian tax	2,300	4,500
- Foreign tax	556,995	330,045
Under/(over)provision in prior year:		
- Malaysian tax	338	(149,899)
	559,633	184,646
Deferred tax (Note 21):		
Reversal of temporary differences	(1,838,209)	(1,457,652)
Underprovision in prior year	258,700	1,331,200
	(1,579,509)	(126,452)
Income tax (credit)/expense for the financial year	(1,019,876)	58,194

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

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Loss before tax	(14,317,128)	(15,094,718)	(1,461,446)	(1,181,509)
Tax at the Malaysian statutory income tax rate of 24%	(3,436,100)	(3,622,700)	(350,700)	(283,600)
Effect of different tax rates in other countries	16,680	2,400	-	-
Non-deductible expenses	1,024,518	1,284,006	350,730	284,688
Deferred tax assets not recognised	1,340,976	1,441,600	-	-
Income not subject to tax	(224,988)	(228,413)	(30)	(1,088)
Under/(over)provision in prior year:-				
- income tax	338	(149,899)	-	-
- deferred tax	258,700	1,331,200	-	-
Income tax (credit)/expense for the financial year	(1,019,876)	58,194	-	-

7. INCOME TAX EXPENSE (Continued)

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

	Group	
	2019 RM	2018 RM
Unutilised tax losses	20,956,700	11,035,500
Unabsorbed capital allowances	9,680,500	4,811,700
	30,637,200	15,847,200

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

Announcement of Malaysia 2019 Budget

In the announcement of Malaysia 2019 Budget, any unutilised tax losses and unabsorbed capital allowances in a year of assessment ("YA") can only be allowed to carry forward up to a maximum of 7 consecutive years of assessment effective from YA 2019.

8. LOSS PER SHARE

Basic loss per ordinary share for the financial year is calculated by dividing the loss after tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019 RM	2018 RM
Loss after tax attributable to the Owners of the Company	(13,297,252)	(15,152,912)

	Group	
	2019 RM	2018 RM
Number of ordinary shares at the beginning of the year	246,626,468	61,656,617
Weighted average ordinary shares issued during the year (Note 18)	-	126,691,679
Weighted average number of ordinary shares at the end of the year	246,626,468	188,348,296
Loss per ordinary share Basic (sen):	(5.39)	(8.05)

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

9. PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land RM	Long term leasehold land* RM	Short term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
Group									
Cost									
At 1 July 2018	9,445,529	1,471,964	5,576,382	32,125,641	40,048,490	5,189,398	4,013,875	1,720,654	99,591,933
Additions	-	-	-	-	1,682,439	444,114	93,865	263,695	2,484,113
Disposals	-	-	-	-	-	-	(230,146)	-	(230,146)
Reclassification	-	-	-	408,897	1,543,037	-	-	(1,951,934)	-
Exchange differences	240,190	-	-	38,962	166,537	18,605	34,802	-	499,096
At 30 June 2019	9,685,719	1,471,964	5,576,382	32,573,500	43,440,503	5,652,117	3,912,396	32,415	102,344,996
Accumulated depreciation									
At 1 July 2018	-	200,870	1,524,628	7,361,409	23,094,914	2,631,710	1,754,599	-	36,568,130
Charge for the financial year	-	24,214	100,266	544,674	2,049,448	476,756	437,451	-	3,632,809
Disposals	-	-	-	-	-	-	(201,740)	-	(201,740)
Exchange differences	-	-	-	31,622	120,459	17,166	24,660	-	193,907
At 30 June 2019	-	225,084	1,624,894	7,937,705	25,264,821	3,125,632	2,014,970	-	40,193,106
Net carrying amount									
At 30 June 2019	9,685,719	1,246,880	3,951,488	24,635,795	18,175,682	2,526,485	1,897,426	32,415	62,151,890

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Note	Freehold land RM	Long term leasehold land* RM	Short term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
Group										
Cost										
At 1 July 2017		10,318,742	1,471,964	5,576,382	29,663,997	33,828,093	4,301,294	4,097,208	7,527,516	96,785,196
Additions		-	-	-	-	2,512,320	958,261	484,349	1,766,251	5,721,181
Reclassification to non-current assets classified as held for sale	17	-	-	-	(626,306)	-	-	-	-	(626,306)
Disposals		-	-	-	-	-	(6,411)	(457,337)	-	(463,748)
Reclassification		-	-	-	3,229,589	4,343,524	-	-	(7,573,113)	-
Written off		-	-	-	-	(131,366)	-	-	-	(131,366)
Exchange differences		(873,213)	-	-	(141,639)	(504,081)	(63,746)	(110,345)	-	(1,693,024)
At 30 June 2018		9,445,529	1,471,964	5,576,382	32,125,641	40,048,490	5,189,398	4,013,875	1,720,654	99,591,933
Accumulated depreciation										
At 1 July 2017		-	176,656	1,424,362	7,039,034	21,682,820	2,263,163	1,721,121	-	34,307,156
Charge for the financial year		-	24,214	100,266	592,423	1,871,764	431,373	537,794	-	3,557,834
Reclassification to non-current assets classified as held for sale	17	-	-	-	(159,751)	-	-	-	-	(159,751)
Disposals		-	-	-	-	-	(4,221)	(423,601)	-	(427,822)
Written off		-	-	-	-	(69,930)	-	-	-	(69,930)
Exchange differences		-	-	-	(110,297)	(389,740)	(58,605)	(80,715)	-	(639,357)
At 30 June 2018		-	200,870	1,524,628	7,361,409	23,094,914	2,631,710	1,754,599	-	36,568,130
Net carrying amount										
At 30 June 2018		9,445,529	1,271,094	4,051,754	24,764,232	16,953,576	2,557,688	2,259,276	1,720,654	63,023,803

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) The net carrying amount of property, plant and equipment of the Group held under finance leases arrangements were RM333,466 (2018: RM1,570,639).

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

	Group 2019 RM	Group 2018 RM
Cash	2,397,072	5,564,832
Finance lease arrangement	87,041	156,349
	2,484,113	5,721,181

(iii) The strata titles of certain shoplots of the Group with carrying amount of NIL (2018: RM466,555) are yet to be issued by the relevant authorities and was presented in the statements of financial position as "Non-current asset classified as held for sale" as disclosed in Note 17.

(iv) Leasehold land and building with net carrying amount of RM5,711,088 (2018: RM5,827,641) are held as security for term loan facilities as disclosed in Note 20.

10. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost		
At beginning/end of the year	42,501,620	42,501,620
Less: Allowance for impairment loss		
At beginning of the year	(613,003)	(613,003)
Addition	(800,000)	-
At end of the year	(1,413,003)	(613,003)
Carrying amount at end of the year	41,088,617	41,888,617

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
Rex Canning Co. Sdn. Bhd.	Malaysia	100	100	Manufacture and export of canned food and drinks and investment holding
Rex Trading Sdn. Bhd.	Malaysia	100	100	Trading of canned food, drinks and shelf convenience food

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Country of incorporation	Effective equity interest 2019 %	2018 %	Principal activities
Fika Foods Corporation Sdn. Bhd.	Malaysia	100	100	Manufacture and distribution of frozen meat, ceased operation in June 2014
Summit Teamtrade (2011) Sdn. Bhd.	Malaysia	100	100	Manufacture of biscuit
P.T. Rex Canning * #	Indonesia	100	100	Manufacture and export of canned food
Cinta Edar (M) Sdn. Bhd.	Malaysia	100	100	Trading of manufactured biscuit
Cinta Edar (Selatan) Sdn. Bhd.	Malaysia	100	100	Dormant
Rex Foods Sdn. Bhd.	Malaysia	100	100	Dormant
Best Aqua Food Sdn. Bhd.	Malaysia	100	100	Dormant
Fika Foods Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
Gainasia International Limited * ^	British Virgin Islands	100	100	Dormant

* Not audited by Moore Stephens Associates PLT.
# Rex Canning Co. Sdn. Bhd. has 30% equity interest in P.T. Rex Canning.
^ The financial statements is audited for consolidation purposes by Moore Stephens Associates PLT.

11. OTHER INVESTMENT

	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
At fair value through profit or loss				
Quoted shares				
At beginning of the year	1,554,000	2,142,000	1,554,000	2,142,000
Fair value loss	(168,000)	(588,000)	(168,000)	(588,000)
At end of the year	1,386,000	1,554,000	1,386,000	1,554,000

12. GOODWILL ON CONSOLIDATION

	Group 2019 RM	Group 2018 RM
Cost		
At beginning/end of the year	11,378,743	11,378,743
Less: Accumulated impairment loss		
At beginning of the year	(3,489,616)	(3,489,616)
Addition	(851,647)	-
At end of the year	(4,341,263)	(3,489,616)
Carrying amount at end of the year	7,037,480	7,889,127

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

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

	Group 2019 RM	Group 2018 RM
Manufacturing of canned food	7,037,480	7,037,480
Manufacturing of biscuits	-	851,647
	7,037,480	7,889,127

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

Management has assessed the recoverable amount of goodwill based on value-in-use calculations determined by discounting future cash flows generated from the continuing use of the CGUs projected based on the financial budget for 2020 and projected revenue growth covering a period of 5 years.

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

(i) Budgeted gross margin

The budgeted gross margin range from 4% to 20% (2018: 4% to 21%). Gross margins are based on values achieved previously preceding the start of the budget period. These are increased over the budget for anticipated efficiency improvements.

(ii) Weighted average growth rate

The weighted average growth rate for business operation ranges from 4% to 19% (2018: 3% to 41%). Pre-tax cash flows projections based on the most recent financial budgets approved by the management covering a 5 years period based on the growth rate.

12. GOODWILL ON CONSOLIDATION (Continued)

(iii) Pre-tax discount rate

A pre-tax discount rate of 10% (2018: 10%) was applied to the calculations in determining the recoverable amount of the CGUs. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

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

13. INVENTORIES

	Group	
	2019	**2018**
	RM	**RM**
At cost:		
Raw materials	20,491,232	17,752,228
Manufactured inventories	18,376,861	22,150,996
Packing materials	8,122,650	8,538,981
Consumables	1,421,923	928,674
	48,412,666	49,370,879
Inventories recognised in cost of sales	92,592,894	84,428,908

The Group has inventories written-off amounting to RM752,189 (2018: RM464,938) during the financial year.

14. TRADE RECEIVABLES

	Group	
	2019	**2018**
	RM	**RM**
External parties	34,110,385	28,401,798
Less: Allowance for impairment loss		
At beginning of the year	(1,812,585)	(628,763)
Effect of adoption of MFRS 9	(556,776)	-
Additions	(902,449)	(1,352,281)
Written off	821,478	-
Reversal	88,718	168,459
Foreign exchange adjustments	(6,830)	-
At end of the year	(2,368,444)	(1,812,585)
	31,741,941	26,589,213

The normal credit terms of trade receivables of the Group range from 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

15. OTHER RECEIVABLES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Sundry receivables	5,296,077	7,010,154	-	-
Less: Allowance for impairment loss				
At beginning of the year	(1,467,833)	(1,906,546)	-	-
Written off	-	1,624	-	-
Reversal	-	1,053,133	-	-
Additions	(9,051)	(616,044)	-	-
At end of the year	(1,476,884)	(1,467,833)	-	-
	3,819,193	5,542,321	-	-
Deposits	12,024,334	2,510,917	28,962	27,371
Prepayments	379,968	462,305	-	-
Goods and Services tax receivable	-	654,830	-	-
	16,223,495	9,170,373	28,962	27,371
Amounts due from subsidiaries	-	-	30,259,713	30,718,193
	16,223,495	9,170,373	30,288,675	30,745,564

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

Included in sundry receivables of the Group is the balance disposal proceed receivable amounted to NIL (2018: RM1,820,000) arising from disposal of former subsidiary in China, Jie Yang Rex Foods Ltd. Co in the previous financial year.

Included in deposits of the Group are the following:-

(i) RM3,900,000 (2018: NIL) paid for the purchase of Batu Pahat factory which is further detailed in Note 32.

(ii) RM6,634,000 (2018: NIL) paid for the purchase of factory equipment.

16. CASH AND BANK BALANCES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Short-term REPO	4,590,252	15,854,978	-	-
Cash and cash equivalents	5,613,507	4,625,540	19,628	35,598
	10,203,759	20,480,518	19,628	35,598

The effective interest rate of the short-term REPO is at 3.58% (2018: 3.51%) per annum.

17. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM	2018 RM
At beginning of the year	466,555	-
Reclassified from property, plant and equipment (Note 9)	-	466,555
Disposal	(466,555)	-
At end of the year	-	466,555

In prior year, the Company entered into a Sale and Purchase Agreement ("SPA") on 17 May 2018 for the disposal of two units shoplot building for total sales considerations of RM1 million. The disposal of the said property was completed during the financial year upon fulfillment of the SPA's condition precedents.

18. SHARE CAPITAL

	2019 Unit	2018 Unit	2019 RM	2018 RM
Ordinary shares				
Issued and fully paid				
At beginning of the year	246,626,468	61,656,617	73,742,421	73,742,421
Issued during the year	-	184,969,851	-	-
At end of the year	246,626,468	246,626,468	73,742,421	73,742,421

In prior year, the issued ordinary shares of the Company was increased from 61,656,617 to 246,626,468 unit of ordinary shares by way of issuance of 184,969,851 new ordinary shares arising from share split exercise.

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

19. TRANSLATION RESERVE

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

20. BORROWINGS

	Group 2019 RM	Group 2018 RM
Non-current		
Term loans (secured)	3,382,288	3,997,550
Finance lease payables (secured)	-	20,109
	3,382,288	4,017,659
Current		
Bank overdrafts (unsecured)	1,041,994	238,398
Bankers' acceptances (unsecured)	27,317,295	21,720,637
Revolving credit (unsecured)	4,000,000	3,000,000
Term loans (secured)	621,805	590,658
Finance lease payables (secured)	108,957	378,631
	33,090,051	25,928,324
	36,472,339	29,945,983
Maturity profile of borrowings:		
On demand or within 1 year	33,090,051	25,928,324
More than 1 year and less than 5 years	2,832,869	2,705,595
More than 5 years	549,419	1,312,064
	36,472,339	29,945,983

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

	Group 2019 %	Group 2018 %
Bank overdrafts	BLR* + 1.5	BLR* + 1.5
Bankers' acceptances	4.81 - 6.23	3.43 - 6.02
Revolving credit	4.82 - 5.78	5.38 - 5.62
Term loans	BLR* - 1.5	BLR* - 1.5
Finance lease payables	2.23 - 4.03	2.23 - 4.03

*BLR - Base Lending Rate

Certain bank borrowings of the Group are secured by:

(i) charge over certain property, plant and equipment of the Group as disclosed in Note 9; and
(ii) a corporate guarantee of the Company.

20. BORROWINGS (Continued)

Finance lease payables

	Group 2019 RM	Group 2018 RM
Minimum finance lease payments:		
Within 1 year	109,495	407,081
More than 1 year and less than 2 years	-	27,993
	109,495	435,074
Less: Future finance charges	(538)	(36,334)
Present value of finance lease payables	108,957	398,740

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

	Group 2019 RM	Group 2018 RM
Present value of finance lease payables		
Within 1 year	108,957	378,631
More than 1 year and less than 2 years	-	20,109
	108,957	398,740
Representing:		
Current	108,957	378,631
Non-current	-	20,109
	108,957	398,740

21. DEFERRED TAX LIABILITIES

	Group 2019 RM	Group 2018 RM
At beginning of the year	3,124,286	3,250,738
Recognised in profit or loss (Note 7)	(1,579,509)	(126,452)
At end of the year	1,544,777	3,124,286

21. DEFERRED TAX LIABILITIES (Continued)

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

	Group	
	2019 RM	2018 RM
Difference between net carrying amount of property, plant and equipment and its tax base	3,332,500	2,705,007
Revaluation of property, plant and equipment	2,508,877	2,551,086
Unutilised tax losses	(1,410,400)	(598,454)
Unabsorbed capital allowances	(2,234,000)	(1,133,653)
Other deductible temporary differences	(652,200)	(399,700)
	1,544,777	3,124,286

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

Unutilised tax losses	15,080,200	9,867,200
Unabsorbed capital allowances	372,200	176,500
Other deductible temporary differences	2,078,200	1,899,600
	17,530,600	11,943,300

22. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90 days (2018: 30 to 90 days).

23. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Sundry payables	6,564,408	5,253,432	52,487	35,253
Accruals	4,902,371	3,041,130	207,300	179,100
Retirement benefits [Note (a)]	2,599,086	2,387,679	-	-
	14,065,865	10,682,241	259,787	214,353
Amounts due to a Director	1,040,618	778,699	-	-
Amounts due to subsidiaries	-	-	2,288,028	2,312,875
Amounts due to related parties	1,435,572	1,066,048	-	-
	2,476,190	1,844,747	2,288,028	2,312,875
	16,542,055	12,526,988	2,547,815	2,527,228

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

Related parties refer to certain companies in which certain Directors of the Company have substantial financial interest as disclosed in Note 25.

23. OTHER PAYABLES (Continued)

(a) Retirement benefits

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

	Group	
	2019	**2018**
	RM	**RM**
Movement in the present value of defined benefit obligations		
At beginning of the year	2,387,679	2,475,741
Current service cost and interest	314,958	285,057
Benefit payment	(37,848)	(120,804)
Actuarial gain in other comprehensive income	(161,292)	(8,326)
Foreign exchange adjustments	95,589	(243,989)
At end of the year	2,599,086	2,387,679

Expense recognised in profit or loss

	Group	
	2019	**2018**
	RM	**RM**
Current service cost and interest	314,958	285,057

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

	Group	
	2019	**2018**
	RM	**RM**
Staff costs	314,958	285,057

Actuarial gain recognised directly in other comprehensive income

	Group	
	2019	**2018**
	RM	**RM**
At beginning of the year	(97,104)	(105,430)
Recognised during the year	161,292	8,326
At end of the year	64,188	(97,104)

23. OTHER PAYABLES (Continued)

(a) Retirement benefits (Continued)

Actuarial assumptions

	Group	
	2019	**2018**
	%	**%**
Discount rate	8.11	8.12
Salary increment rate	6.0	7.3
Disability rate	5.0	5.0
Resignation rate		
20 - 30	10.0	10.0
31 - 40	5.0	5.0
41 - 45	3.0	3.0
46 - 50	2.0	2.0
51 - 54	1.0	1.0
> 55	-	-

24. CONTRACT LIABILITY

Contract liability relates to the most likely amount of rebate to be given to customers and to be offset against amounts payable by the customers upon satisfaction of certain sales conditions.

25. RELATED PARTY DISCLOSURES

Identity of related parties

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

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

25. RELATED PARTY DISCLOSURES (Continued)

Identity of related parties (Continued)

Other than disclosed elsewhere in the financial statements, the significant related party transactions between the Company and the related parties during the financial year are as follows:-

	Company	
	2019	**2018**
	RM	**RM**
Subsidiaries:		
Repayment from	428,408	1,307,273

	Group	
	2019	**2018**
	RM	**RM**
Related parties:		
Transportation charges	1,732,723	2,450,343
Upkeep of motor vehicles	115,093	86,710
Information technology services	-	66,700
Travelling expenses	80,752	71,791
Lease of motor vehicle	18,000	-
Warehouse management	216,000	216,000
Warehouse rental	60,000	60,000
	2,222,568	2,951,544

Compensation of key management personnel

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

The key management personnel compensations are as follows:-

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Directors' fee	237,100	215,200	237,100	215,200
Salaries and other emoluments	856,800	856,780	-	-
Contributions to defined contribution plan	137,088	137,088	-	-
Social security contributions	924	758	-	-
	1,231,912	1,209,826	237,100	215,200
Director of a subsidiary				
Directors' fee	-	50,000	-	-
	1,231,912	1,259,826	237,100	215,200
Key management personnel				
Salaries and other emoluments	737,743	855,128	-	-
Contributions to defined contribution plan	97,992	72,004	-	-
	835,735	927,132	-	-

26. OPERATING LEASE COMMITMENTS

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

	Group	
	2019 RM	2018 RM
Payable within one year	-	28,000

27. CAPITAL COMMITMENT

	Group	
	2019 RM	2018 RM
Approved and contracted for:		
Purchase of factory	9,100,000	-
Approved but not contracted for:		
Purchase of equipment	3,366,000	-

28. OPERATING SEGMENTS

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

Geographical segments

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

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

	Group External revenue		Group Non-current assets*	
	2019 RM	2018 RM	2019 RM	2018 RM
Continuing:				
Malaysia	58,931,330	67,567,832	49,220,463	51,103,473
USA	56,304,701	44,098,535	-	-
Europe	13,837,993	12,376,516	-	-
Asia (excludes Malaysia)	7,534,835	6,281,021	19,968,907	19,809,457
	136,608,859	130,323,904	69,189,370	70,912,930

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

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
Fair value through profit or loss				
Other investment	1,386,000	1,554,000	1,386,000	1,554,000
Amortised cost				
Trade receivables	31,736,078	-	-	-
Other receivables	15,843,527	-	30,288,675	-
Cash and bank balances	10,203,759	-	19,628	-
	57,783,364	-	30,308,303	-
Loans and receivables				
Trade receivables	-	26,589,213	-	-
Other receivables	-	8,708,068	-	30,745,564
Cash and bank balances	-	20,480,518	-	35,598
	-	55,777,799	-	30,781,162
Financial liabilities				
Amortised cost				
Borrowings	36,472,339	29,945,983	-	-
Trade payables	9,012,728	7,219,787	-	-
Other payables	16,542,055	12,526,988	2,547,815	2,527,228
	62,027,122	49,692,758	2,547,815	2,527,228

Financial Risk Management Objectives and Policies

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

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

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

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

Nevertheless, receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Credit risk concentration profile

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

	Group	
	2019	**2018**
	RM	**RM**
Malaysia	19,432,131	19,844,994
USA	11,545,620	5,944,146
Asia (excludes Malaysia)	764,190	800,073
	31,741,941	26,589,213

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

The Group major concentration of credit risk relates to an amount owing from one customer (2018: one customer) which constituted to approximately 5% (2018: 10%) of the Group's net trade receivables as at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Recognition and measurement of impairment loss

As disclosed in Note 3(o)(i), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy note 3(o)(i). The group has recognised a loss allowance of 50% against all receivables over 330 days past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The following table provides information about the exposure to credit risk and ECLs for trade receivables at the reporting date which are grouped together as they are expected to have similar risk nature.

	Loss Rate %	Gross RM	Loss Allowance RM	Net RM
Group				
2019				
Not past due	0.1%	20,847,758	(14,311)	20,833,447
Past due:				
Less than 30 days	0.3%	3,081,272	(10,040)	3,071,232
31 to 90 days	1%	3,525,186	(28,344)	3,496,842
91 to 150 days	3%	930,109	(30,427)	899,682
151 to 210 days	15%	122,836	(18,818)	104,018
210 to 270 days	37%	13,621	(4,999)	8,622
271 to 330 days	39%	41,393	(16,078)	25,315
More than 330 days	50%	1,341,141	(664,565)	676,576
		29,903,316	(787,582)	29,115,734
Credit impaired				
Individually impaired		4,207,069	(1,580,862)	2,626,207
		34,110,385	(2,368,444)	31,741,941

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Recognition and measurement of impairment loss (Continued)

Comparative information under MFRS 139, *Financial Instruments: Recognition and Measurement*

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

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	Group 2019 RM	Group 2018 RM
At 1 July	1,812,585	628,763
Effect of adoption of MFRS 9	556,776	-
Additions	902,449	1,352,281
Written off	(821,478)	-
Reversal	(88,718)	(168,459)
Foreign exchange adjustments	6,830	-
At 30 June	2,368,444	1,812,585

Previous accounting policy for impairment of trade receivables

In prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

The Group and the Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Amounts due from subsidiaries are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on assumption that repayment of the loan is demanded at the reporting date.

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

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

Financial guarantee

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

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(a) Credit risk (Continued)

Financial guarantee (Continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM32,359,289 (2018: RM24,959,035) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The financial guarantee is provided as credit enhancements to the subsidiaries' banking facilities.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when the subsidiaries company's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:-

- The subsidiaries are unlikely to repay its credit obligation to the bank in full; or
- The subsidiaries are continuously loss-making and is having a deficit in shareholders' fund.

There was no indication that the subsidiaries with the granted banking facilities would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position. The Group has provided allowances for expected credit losses on these amounts as disclosed in Note 15.

(b) Foreign currency risk

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

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(b) Foreign currency risk (Continued)

Exposure to foreign currency risk

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

	Denominated in			
Group	**USD RM**	**SGD RM**	**RMB RM**	**Total RM**
2019				
Trade receivables	11,604,276	303,376	-	11,907,652
Other receivables	93,378	-	-	93,378
Cash and bank balances	915,924	-	22,643	938,567
Trade payables	(5,232,403)	-	(9,315)	(5,241,718)
Other payables	(759,897)	-	-	(759,897)
Borrowings	(8,287,533)	-	-	(8,287,533)
	(1,666,255)	303,376	13,328	(1,349,551)
2018				
Trade receivables	6,491,098	296,303	-	6,787,401
Other receivables	2,059,990	-	-	2,059,990
Cash and bank balances	1,077,412	-	23,055	1,100,467
Trade payables	(1,429,350)	-	(9,315)	(1,438,665)
Other payables	(1,504,203)	-	-	(1,504,203)
Borrowings	(6,424,187)	-	-	(6,424,187)
	270,760	296,303	13,740	580,803

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Group	
	2019 (Increase)/ Decrease in loss net of tax/equity RM	**2018 (Increase)/ Decrease in loss net of tax/equity RM**
Effects on loss after tax/equity:		
RM/USD		
Strengthened by 5%	(63,318)	10,289
Weakened by 5%	63,318	(10,289)
RM/SGD		
Strengthened by 5%	11,528	11,260
Weakened by 5%	(11,528)	(11,260)
RM/RMB		
Strengthened by 5%	506	522
Weakened by 5%	(506)	(522)

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(c) Interest rate risk

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

In respect of interest-earning financial assets and interest-bearing financial liabilities, the effective interest rates at the reporting date are as disclosed in the respective notes.

Exposure in interest rate risk

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

	Group	
	2019 RM	**2018 RM**
Floating rate instrument:		
Financial asset		
Short-term repurchase agreement ("REPO")	4,590,252	15,854,978
Financial liabilities		
Bank overdrafts	(1,041,994)	(238,398)
Term loans	(4,004,093)	(4,588,208)
	(455,835)	11,028,372

Interest rate risk sensitivity analysis

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

	Group	
	2019 (Increase)/ Decrease in loss net of tax/equity RM	**2018 (Increase)/ Decrease in loss net of tax/equity RM**
Effects on loss after tax/equity:		
Increase of 10 basis points	(346)	8,382
Decrease of 10 basis points	346	(8,382)

29. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group maintains sufficient levels of cash and available banking facilities at a reasonable level to its overall debt position to meet its working capital requirement.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date on contractual undiscounted repayment obligations:-

Group	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2019						
Bank overdrafts	1,041,994	1,128,688	1,128,688	-	-	-
Bankers' acceptances	27,317,295	28,825,210	28,825,210	-	-	-
Revolving credit	4,000,000	4,212,000	4,212,000	-	-	-
Finance lease payables	108,957	109,495	109,495	-	-	-
Term loans	4,004,093	4,625,975	813,420	813,420	2,440,260	558,875
Trade payables	9,012,728	9,012,728	9,012,728	-	-	-
Other payables	16,542,055	16,542,055	16,542,055	-	-	-
	62,027,122	64,456,151	60,643,596	813,420	2,440,260	558,875
2018						
Bank overdrafts	238,398	257,970	257,970	-	-	-
Bankers' acceptances	21,720,637	22,956,541	22,956,541	-	-	-
Revolving credit	3,000,000	3,169,050	3,169,050	-	-	-
Finance lease payables	398,740	435,074	407,081	27,993	-	-
Term loans	4,588,208	5,387,346	813,420	813,420	2,440,260	1,320,246
Trade payables	7,219,787	7,219,787	7,219,787	-	-	-
Other payables	12,526,988	12,526,988	12,526,988	-	-	-
	49,692,758	51,952,756	47,350,837	841,413	2,440,260	1,320,246

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

(e) Equity price risk

Equity price risk mainly arises from the Group's investment in quoted equity classified as fair value through profit or loss as disclosed in Note 11.

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

As at the reporting date, it is estimated that an increase of 10% in the market price of the quoted securities, with all other variables held constant, would have increased the Group's equity by RM138,600 (2018: RM155,400).

30. FAIR VALUES INFORMATION

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short term maturity of these financial instruments. The disclosure of fair value is not made for floating rate instruments that are repriced to market interest rate on or near the reporting date.

The fair values of finance lease payables are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. The carrying value and fair value of the non-current portion of finance lease payables are not materially different.

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Group/Company					
2019					
Asset					
Other investment	1,386,000	-	-	1,386,000	1,386,000
2018					
Asset					
Other investment	1,554,000	-	-	1,554,000	1,554,000

Level 1:

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

Level 2:

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

Level 3:

The fair value is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting year.

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

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

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

31. CAPITAL MANAGEMENT (Continued)

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Borrowings (Note 20)	36,472,339	29,945,983	-	-
Less: Cash and bank balances	(10,203,759)	(20,480,518)	(19,628)	(35,598)
Total net debts/(cash)	26,268,580	9,465,465	(19,628)	(35,598)
Total equity attributable to the Owners of the Company	113,672,455	126,421,953	70,266,425	71,727,871
Debt to equity ratio	0.23	0.07	N/A	N/A

N/A: Not meaningful

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

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

32. SIGNIFICANT EVENT

On 6 March 2019, the Company via its wholly-owned subsidiary, Rex Canning Co. Sdn. Bhd. had entered into a Sale and Purchase Agreement with Pentas Prima Sdn. Bhd. for the acquisition of a parcel of freehold industrial land together with an industrial complex comprising 3 industrial buildings with an annexed 2-storey office block and ancillary buildings for a total consideration of RM13,000,000. A deposit of RM3,900,000 has been made for the acquisition of the paid property as disclosed in Note 15 and the acquisition has yet to be completed at the reporting date.

33. COMPARATIVE FIGURES

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

	As reclassified RM	As previously reported RM
Statements of Financial Position		
Current assets		
Other receivables	9,170,373	6,652,775
Tax recoverable	694,529	3,212,127
Current liabilities		
Other payables	12,526,988	12,494,821
Tax payable	-	32,167
Statements of Cash Flows		
Cash flows from operating activities		
Adjustments for:		
Reversal of impairment loss on other receivables	(1,053,133)	(253,133)
Changes in working capital:		
Trade and other receivables	11,147,724	10,711,276
Trade and other payables	(3,035,210)	(3,038,748)
Tax refund	343,294	-
Tax paid	(772,794)	(789,514)

Properties
As At 30 June 2019

Location/ (Registered owner)	Description (Lot/Title No)	Tenure (Approx. age of building)	Land area (Built up) sq. ft.	Date of Acquisition/ *Revaluation	Net book Value 30/6/2019 (RM)
Plot 125, Bukit Minyak Industrial Park, Seberang Perai Tengah.	Industrial land with factory	60 years with 41 years remaining (19 years)	6.0052 Acre (261,586) sq. ft.	* 30 August 2012	13,741,403
Plot 126, Bukit Minyak Industrial Park, Seberang Perai Tengah.	Industrial land	60 years with 52 years remaining (8 years)	1.74236 Acre	* 30 August 2012	8,186,689
Plot 42 & 43, Taman Airmas, Seberang Perai (U).	Residential premises (Lot 4639/HS(D)3363) (Lot 4654/HS(D)3378)	Freehold	1,086 sq. ft.	31 December 1996	103,504
Lot 68 & 69 Subang Light Industrial Park, Petaling Jaya, Selangor.	Industrial land with factory	96 years with 73 years remaining (23 years)	4,500 sq.ft.	10 October 1990	-
Jl. Raya Beji Km 4 No. 42 Beji, Pasuraun, Jawa Timur, Indonesia.	Industrial Land with factory	130 years with 105 years remaining (25 years)	(252,207) sq. ft.	* 30 November 2012	6,250,658
Jl. Raya Beji Km 4, Desa Beji, Kecamatan Beji, Kabupaten Pasuraun, Propinsi Jawa Timur, Indonesia.	Industrial Land		3.73 Acre	5 September 2012	5,197,314
No. 7A, Jalan TIAJ 2/1, Taman Industri Alam Jaya, Bandar Puncak Alam, 42300 Selangor Darul Ehsan.	3 Storey Semi-Detached Factory Type B	Leasehold	2,024 sq. meters	10 August 2016	4,584,942
22, Jalan Perniagaan Seri Tambun, Pusat Perniagaan Seri Tambun, 14100 Simpang Ampat, Pulau Pinang.	3 Storey terrace shop office		149 sq. meters	5 August 2016	1,384,010
No.42, Lintasan Perajurit 17C, Taman Perdagangan & Perindustrian Ipoh, 31400 Ipoh, Perak.	1½ storey intermediate factory lot	99 years with 76 years remaining (23 years)	186 sq. meters	24 November 2016	411,365

This page is intentionally left blank

REX INDUSTRY BERHAD [199301027926 (282664-K)]
(Incorporated in Malaysia)

CDS Account No. ______

No. of Shares Held ______

FORM OF PROXY

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

of ____
(full address)

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

of ____
(full address)

*and/or failing him/her, ______________________________
(full name in capital letters)

of ____
(full address)

as *my/our proxy, to vote for *me/us on *my/our behalf at the Twenty-Fifth Annual General Meeting ("**AGM**") of the Company, to be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Tuesday, 19 November 2019 at 10:00 a.m., and at any adjournment thereof.

No.	Agenda	For	Against
1	To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and the Auditors thereon.		
2	To approve the payment of Directors' fees payable to the Non-Executive Directors amounting to RM216,600/- to be paid on a quarterly basis for the financial year ending 30 June 2020 and thereafter. (Resolution 1)		
3	To approve the payment of Directors' benefits up to an amount of RM100,000/- from 20 November 2019 until the next AGM of the Company. (Resolution 2)		
4(a)	To re-elect Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, who is due to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 3)		
4(b)	To re-elect Mr. Darmendren Kunaretnam, who is due to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 4)		
5	To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 5)		
Special Business			
6	Authority to Issue Shares pursuant to the Companies Act 2016. (Resolution 6)		
7	Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. (Resolution 7)		
8	Proposed Renewal of Authority for the Company to Purchase its Own Shares. (Resolution 8)		
9	Proposed Adoption of a New Constitution of the Company. (Resolution 9)		

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

* Strike out whichever is not applicable.

Signed this __________ day of ________________ , 2019

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

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

Signature of member/shareholder

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

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

1. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements and only requires the Audited Financial Statements to be laid at the Meeting. Therefore, this Agenda item is not put forward for voting.
2. For the proxy to be valid, the proxy form, duly completed and signed, must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. Where a member appoints two (2) proxies, the proportions of his/her shareholdings to be represented by each proxy must be specified in order for the appointments to be valid.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991 ("**SICDA**"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an additional nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under either seal or under the hand of an officer or attorney duly authorised.
7. For purpose of determining who shall be entitled to attend, participate, speak and vote at this Meeting, the Company shall be requesting the Record of Depositors ("**ROD**") as at 8 November 2019. Only a Depositor whose name appears on such ROD shall be entitled to attend, participate, speak and vote at this Meeting or to appoint proxy to attend, participate, speak and vote on his/her behalf.

Then Fold Here

Stamp

The Company Secretaries

REX INDUSTRY BERHAD [199301027926 (282664-K)]
Plot 125, Jalan Perindustrian Bukit Minyak 5,
14100 Simpang Ampat, Seberang Perai Tengah,
Penang, Malaysia

1st Fold Here

REX INDUSTRY BERHAD 199301027926 (282664-K)
Plot 126, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang, Malaysia.
Tel: (+6) 04-5088 288 Fax: (+6) 04-5088 566/7 E-mail: rex@rex.net.my
www.rexmalaysia.com