



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED

30 SEPTEMBER 2019

(1st Quarter Results)

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019 - UNAUDITED

	Unaudited	Audited
	As at	As at
	30/09/19	30/06/19
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	33,340	33,761
Total non-current assets	<u>33,340</u>	<u>33,761</u>
Current assets		
Trade receivables	112	178
Other receivables	874	624
Tax recoverable	30	77
Cash and bank balances	494	204
Total current assets	<u>1,510</u>	<u>1,083</u>
Asset held for sale	20,500	20,500
TOTAL ASSETS	<u>55,350</u>	<u>55,344</u>
EQUITY		
Share capital	80,039	80,039
Reserves	(35,240)	(35,302)
Equity attributable to owners of the parent	44,799	44,737
Non-controlling interests	1,646	1,646
Total equity	<u>46,445</u>	<u>46,383</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	1,343	1,383
Deferred tax liabilities	207	207
Total non-current liabilities	<u>1,550</u>	<u>1,590</u>
Current liabilities		
Trade payables	251	173
Other payables	6,128	6,068
Loans and borrowings	663	769
Provision for taxation	313	361
Total current liabilities	<u>7,355</u>	<u>7,371</u>
Total liabilities	<u>8,905</u>	<u>8,961</u>
TOTAL EQUITY AND LIABILITIES	<u>55,350</u>	<u>55,344</u>
Net assets per share (RM)	0.25	0.25

The condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of the Group for the period ended 30 June 2019.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 - UNAUDITED

	Individual Quarter		Cumulative Quarter	
	30/09/19 RM'000 (3 months)	30/09/18 RM'000 (3 months)	30/09/19 RM'000 (3 months)	30/09/18 RM'000 (9 months)
Revenue	1,168	3,648	1,168	10,469
Cost of sales	(290)	(2,901)	(290)	(9,521)
Gross profit	878	747	878	948
Other income	27	(219)	27	1,531
Distribution & admin expenses	(820)	(1,001)	(820)	(5,629)
Profit/(Loss) from operation	85	(473)	85	(3,150)
Finance income	-	-	-	10
Finance costs	(27)	(330)	(27)	(1,347)
Net finance cost	(27)	(330)	(27)	(1,337)
Profit/(Loss) before tax	58	(803)	58	(4,487)
Tax income	4	721	4	968
Profit/(Loss) for the period	62	(82)	62	(3,519)
Other comprehensive income/ (loss), net of tax				
Item that will be classified subsequently to profit and loss				
Revaluation of Property, plant and equipment	-	-	-	3,931
Exchange translation differences for foreign operations	-	-	-	6
Total comprehensive income for the period	-	-	-	3,937
Total comprehensive income/(loss) for the period	62	(82)	62	418
Gain/(Loss) for the period attributable to:				
Owners of the parent	62	(175)	62	(3,269)
Non-controlling interests	-	93	-	(250)
Total comprehensive income/(loss) attributable to:	62	(82)	62	(3,519)
Gain/(Loss) for the period attributable to:				
Owners of the parent	62	(175)	62	668
Non-controlling interests	-	93	-	(250)
	62	(82)	62	418
Gain/(Loss) per share				
Basic gain/(loss) per share (sen)	0.03	(0.12)	0.03	(2.31)
Diluted loss per share (sen) *	-	-	-	-

Notes:

- The financial year end of the Group has been changed from 31 December to 30 June. As such, the comparative figures for the cumulative quarter for the statements of comprehensive income is not comparable.
- The comparative financial information should be read in conjunction with the Audited Financial Statements of the Group for the period ended 30 June 2019.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2019 - UNAUDITED

	← Attributable to owners of the parent →						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Equity components of ICULS RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Accumulated losses RM'000			
At 1 July 2019	80,039	-	-	3,931	-	(39,233)	44,737	1,646	46,383
Gain for the financial period	-	-	-	-	-	62	62	-	62
Total comprehensive income	-	-	-	-	-	62	62	-	62
At 30 September 2019	80,039	-	-	3,931	-	(39,171)	44,799	1,646	46,445
At 1 January 2018	60,839	19,200	9,960	-	352	(58,691)	31,660	1,148	32,808
Foreign currency translation differences	-	-	-	-	6	-	6	-	6
Revaluation of property, plant and equipment	-	-	-	3,931	-	-	3,931	-	3,931
Total other comprehensive income	-	-	-	3,931	6	-	3,937	-	3,937
Loss for the financial period	-	-	-	-	-	(3,269)	(3,269)	(250)	(3,519)
Total comprehensive income	-	-	-	3,931	6	(3,269)	668	(250)	418
Transactions with owners:									
Conversion of ICULS	3,908	(3,842)	-	-	-	-	66	-	66
At 30 September 2018	64,747	15,358	9,960	3,931	358	(61,960)	32,394	898	33,292

Notes:

- (a) The financial year end of the Group has been changed from 31 December to 30 June. As such, the comparative figures for the cumulative quarter for the statements of change of equity is not comparable.
- (b) The condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of the Group for the period ended 30 June 2019.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 - UNAUDITED

	Cumulative Quarter	
	30/09/2019 RM'000 (3 months)	30/06/19 RM'000 (18 months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Gain before tax	58	4,344
Adjustments for:		
Depreciation of property, plant and equipment	421	3,508
Loss on disposal of property, plant and equipment	-	865
Gain on disposal of subsidiaries	-	(13,187)
Impairment loss on:		
- Trade receivables	-	279
Fair value loss of investment properties	-	2,100
Finance cost	27	1,958
Finance income	-	(210)
Property plant and equipment written off	-	124
Waiver of debt	-	878
Rental income	(1,047)	(2,135)
Reversal of impairment loss on property, plant and equipment	-	(5,000)
Operating loss before changes in working capital	(541)	(6,476)
Changes in working capital:		
Receivables	(185)	4,573
Inventories	-	1,423
Payables	138	341
Cash generated from operations	(588)	(139)
Interest paid	(27)	(1,958)
Tax refund	4	464
Net cash generated from (used in) operating activities	(611)	(1,633)
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of pledged fixed deposits	-	398
Interest received	-	210
Disposal of subsidiaries	-	(116)
Proceeds from disposal of property, plant and equipment	-	14,741
Rental received	1,047	2,135
Acquisition of property, plant and equipment	-	(586)
Net cash generated from investing activities	1,047	16,782
Balance carried forward	436	15,149

	Cumulative Quarter	
	30/09/2019	30/06/19
	RM'000	RM'000
	(3 months)	(18 months)
Balance brought forward	436	15,149
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from bankers acceptance	-	273
Payment of finance lease liabilities	(53)	(956)
Repayment of term loans	(93)	(12,416)
Net cash used in financing activities	(146)	(13,099)
NET INCREASE IN CASH AND CASH EQUIVALENTS	290	2,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	204	(1,846)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	494	204
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period comprise:		
Cash and bank balances	494	204

The condensed consolidated statement of cash flows should be read in conjunction with the Audited Financial Statements of the Group for the period ended 30 June 2019.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR QUARTER ENDED 30 SEPTEMBER 2019**

Part A - Explanatory Notes Pursuant to MFRS 134

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (“Report”) is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). This Report should be read in conjunction with the audited financial statements of the Company for the period ended 30 June 2019.

2. CHANGE IN FINANCIAL YEAR END

The Company changed its financial year end from 31 December 2018 to 30 June 2019, 18 months accounts from 1 January 2018 to 30 June 2019. Accordingly, the comparative figures for the statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes are not comparable.

3. ACCOUNTING POLICIES

The Group had adopted all the new and revised MFRS and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2019. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

At the date of authorisation of the Condensed Report, the following standards were issued but have not been adopted by the Group:

	Effective dates for financial periods beginning on or after
<u>Not Yet Adopted</u>	
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Employee Benefits	1 January 2019
Amendments to MFRS 128 Long-term Interest in Associates and Joint Ventures	1 January 2019
Annual Improvement to MFRSs 2015-2017 Cycles	1 January 2019

**Effective dates
for financial
periods beginning
on or after**

Not Yet Effective

Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the Group's most recent annual audited financial statements for the financial period ended 30 June 2019 contained disclaimer opinion.

The Independent Auditors have expressed a disclaimer opinion in respect of the opening balances, disposal and deconsolidation of subsidiaries disposed, insufficient documentary evidence, disclosure of contingent liabilities and going concern.

5. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any seasonal or cyclical factors. As it has been downsize in the manufacturing and trading operations for the quarter under review.

6. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period-to-date.

7. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the current quarter results.

8. DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resales and repayments of debts and equity securities for the period under review.

9. DIVIDEND PAID

There was no dividend paid during the financial period under review.

10. SEGMENTAL INFORMATION

The segmental information for the 3 months ended is as follows:

	Manufacturing	Trading	Others	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	65	56	-	1,047	-	1,168
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	<u>65</u>	<u>56</u>	<u>-</u>	<u>1,047</u>	<u>-</u>	<u>1,168</u>
Results						
Operating (loss)/profit	(17)	(24)	(50)	176	-	85
Net finance cost	-	-	(5)	(22)	-	(27)
Income tax expense	-	-	-	4	-	4
(Loss)/Profit after tax	<u>(17)</u>	<u>(24)</u>	<u>(55)</u>	<u>158</u>	<u>-</u>	<u>62</u>

The manufacturing and trading of the Group had been downsized during the quarter under review. The revenue from trading comprises income from the calibrating and testing of equipment and general products.

The revenue of investment holding solely derived from the rental income of the factories.

11. CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Group for the financial period under review.

12. CHANGES IN CONTINGENT LIABILITIES

The contingent liabilities as at 30 September 2019 are as follows:

	RM'000
<u>Corporate Guarantee</u>	
Corporate guarantee given to the financial institution for banking facilities granted to the subsidiaries	1,627
Corporate guarantee given to the financial institution for banking facilities granted to the disposed subsidiaries	11,833
Corporate guarantee of obligations of disposed subsidiaries	<u>4,721</u>
	<u>18,181</u>

13. CHANGES IN MATERIAL LITIGATION

There is no material litigation for the financial period under review.

14. SIGNIFICANT EVENTS DURING THE CURRENT QUARTER

On 17 July 2019, Zoomic Technology (M) Sdn Bhd (“ZTSB”), a wholly-owned subsidiary to the Company, entered into a Sales & Purchase Agreement (“SPA”) with RHB Trustee Berhad (Co. No. 573019-U) as trustee for Axis Real Estate Investment Trust (“the Purchaser”) to dispose of two pieces of leasehold land with a double-storey detached factory-cum-office located at Bayan Lepas for a total consideration of sum of RM20.5 million (“Proposed Disposal”) subject to terms and conditions stipulated in the said SPA. The Company is in the midst of preparing the relevant documents for the Shareholders’ approval on the Proposed Disposal.

15. MATERIAL EVENTS SUBSEQUENT TO THE END OF INTERIM PERIOD

The material subsequent event from the end of the quarter to the date of this report as below:

On 30 September 2019, a wholly-owned subsidiary of the Company, Cal-Test Laboratory Sdn Bhd (“Cal-Test”) entered into the Share Sales Agreement (“SSA”) with the following Parties, to obtain a combined of 51% equity interest in Maxillion Link Enterprises Limited (“Maxillion”) at a total consideration of RM4.52 million by issuing 45,221 units of Redeemable Convertible Preference Share (“RCPS”).

- i. To acquire 26% of Maxillion from Asdion Digital Advance System Sdn. Bhd. (“Asdion”) at the consideration of RM2.3 million;
- ii. To acquire 25% of Maxillion from Hill Esta International Limited (“Hill Esta”) at the consideration of RM2.22 million.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements

1. REVIEW OF GROUP PERFORMANCE

a) Comparison with the corresponding quarter and financial period in the previous financial year

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	30/09/19 RM'000 (3 months)	30/09/18 RM'000 (3 months)	Amount RM'000	%	30/09/19 RM'000 (3 months)	30/09/18 RM'000 (9 months)	Amount RM'000	%
Revenue								
- Manufacturing	65	3,375	(3,310)	-98%	65	9,432	(9,367)	-99%
- Trading	56	73	(17)	-23%	56	215	(159)	-74%
- Investment Holding	1,047	200	847	424%	1,047	822	225	27%
- Others	-	-	-	0%	-	-	-	0%
Total	1,168	3,648	(2,480)	-68%	1,168	10,469	(9,301)	-89%
Profit/ (Loss) Before Tax								
- Manufacturing	(18)	(441)	423	-96%	(18)	(4,782)	4,764	-100%
- Trading	(24)	30	(54)	-180%	(24)	49	(73)	-149%
- Investment Holding	155	(330)	485	-147%	155	(205)	360	-176%
- Others	(55)	(62)	7	-11%	(55)	452	(507)	-112%
Total	58	(803)	861	-107%	58	(4,486)	4,544	-101%

The Company changed its financial year end from 31 December 2018 to 30 June 2019, which presents an 18-month account. Accordingly, the comparative figure on the cumulative quarter as at 30 September 2019 is not comparable.

The Group's revenue for the current quarter had decreased dramatically from RM3.65 million in the preceding year quarter to RM1.17 million recorded in the current quarter under review. The decrease was mainly due to the downsizing of the manufacturing and trading segments, whereby the rental income received by the investment holding segment.

b) Comparison with preceding quarter

	30/09/19	30/06/19	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Manufacturing	65	2,345	(2,280)	-97%
- Trading	56	80	(24)	-30%
- Investment Holding	1,047	411	636	155%
- Others	-	-	-	0%
Total	<u>1,168</u>	<u>2,836</u>	(1,668)	-59%
Profit/(Loss) Before Tax				
- Manufacturing	(18)	4,953	(4,971)	-100%
- Trading	(24)	(97)	73	-75%
- Investment Holding	155	2,186	(2,031)	-93%
- Others	(55)	347	(402)	-116%
Total	<u>58</u>	<u>7,389</u>	(7,331)	-99%

The Group's revenue for the current quarter has decreased from RM2.84 million from the immediate preceding quarter to RM1.17 million, the decreased was due to reduce of revenue in manufacturing segment. The Group concentrates in manufacturing of wooden crates, pallets and other related wood products in the quarter under review.

The Group achieved a profit before tax of RM59,000 as compared to RM7.39 million in the preceding quarter. The gain from preceding quarter was mainly due to gain from disposal of 2 (two) subsidiaries of the Companies take part in the preceding quarter.

2. PROSPECT FOR THE FINANCIAL YEAR

At the beginning of 2019, the Group has streamlined its operation and manpower which this will result in long term savings.

Meanwhile, the subsidiaries - Jumbo Universe Sdn Bhd and Cal-Test Laboratory Sdn Bhd, remain in operation. The business plan and projection are already in the pipeline to move forward and improve in business.

On 30 September 2019, the Cal-Test Laboratory Sdn Bhd, a wholly-owned subsidiary to the Company has acquired Maxillion Group of Companies ("Maxillion"). With the track record of Maxillion of sustainability and good track record on market leader especially in Thailand market. The Company believe it will be able to generate positive cash flow to the Group in long run, and able to expanding business in abroad.

The Group foresee it will be rebound in their business after acquisition Maxillion Group.

3. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable to the Group as the group did not publish any profit forecast and no profit guarantee issued.

4. TAXATION

	Current Quarter RM'000	Current Year-to-date Quarter RM'000
Current tax expense		
Current year	-	-
Over provision in prior year	(4)	(4)
	(4)	(4)
Deferred tax expense		
Current year	-	-
	(4)	(4)

5. LOANS AND BORROWINGS

The Group loans and borrowings, all of which are denominated in RM, as at the end of the reporting period are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000	Average effective interest rate
Secured				
Term Loan	456	1,078	1,534	6.40%
Hire-Purchase	207	265	472	7.25%
Total	<u>663</u>	<u>1,343</u>	<u>2,006</u>	

6. STATUS OF CORPORATE PROPOSAL

The Group is current in the midst of preparing corporate exercise in proposed disposal of Bayan Lepas Factory.

7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities by the Group in the current period under review.

8. DIVIDEND PAYABLE

No dividend has been proposed for the current quarter and financial period under review.

9. CAPITAL COMMITMENTS

There were no capital commitments as at the end of the current reporting period.

10. GAIN/(LOSS) PER SHARE**(a) Basic**

	Individual Quarter		Cumulative Quarter	
	30/09/19 (3 months)	30/09/18 (3 months)	30/09/19 (3 months)	30/09/18 (9 months)
Loss attributable to owners of the parent (RM'000)	62	(175)	62	(3,269)
Weighted average number of ordinary shares in issue ('000)	184,876	141,389	184,876	141,389
Gain/ (Loss) per share (sen)	0.03	(0.12)	0.03	(2.31)

(b) Diluted

The Group has no dilution in loss per ordinary share as the potential ordinary shares are anti-dilutive.