



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED

30 JUNE 2015

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Unaudited	Audited
	As at	As at
	30/06/15	31/12/14
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,227	44,744
Investment property	27,318	27,318
Other investment	549	549
Goodwill on consolidation	1,532	1,532
Deferred tax assets	265	295
Total non-current assets	<u>73,891</u>	<u>74,438</u>
Current assets		
Inventories	12,429	11,230
Trade receivables	33,883	32,513
Other receivables	18,206	19,127
Tax recoverable	854	629
Fixed deposits placed with licensed banks	4,186	4,425
Cash and bank balances	6,481	11,609
Total current assets	<u>76,039</u>	<u>79,533</u>
TOTAL ASSETS	<u>149,930</u>	<u>153,971</u>
EQUITY		
Share capital	52,771	52,723
Reserves	26,394	30,659
Equity attributable to owners of the parent	<u>79,165</u>	<u>83,382</u>
Non-controlling interests	43	1
Total equity	<u>79,208</u>	<u>83,383</u>
LIABILITIES		
Non-current liabilities		
Loan and borrowings	14,998	16,804
Deferred tax liabilities	1,030	1,030
Total non-current liabilities	<u>16,028</u>	<u>17,834</u>
Current liabilities		
Trade payables	15,553	16,826
Other payables	7,879	8,323
Loan and borrowings	31,135	27,501
Provision for taxation	127	104
Total current liabilities	<u>54,694</u>	<u>52,754</u>
Total liabilities	<u>70,722</u>	<u>70,588</u>
TOTAL EQUITY AND LIABILITIES	<u>149,930</u>	<u>153,971</u>
Net assets per share (RM)	0.60	0.63

The condensed consolidated statement of financial position should be read in conjunction with the Annual Audited Financial Statements of the group for the year ended 31 December 2014.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30/06/15 RM'000	3 months ended 30/06/14 RM'000	6 months ended 30/06/15 RM'000	6 months ended 30/06/14 RM'000
Revenue	29,947	26,375	61,746	49,400
Cost of sales	(25,286)	(23,478)	(53,134)	(44,119)
Gross profit	4,661	2,897	8,612	5,281
Other income	379	477	725	12,340
Distribution expenses	(1,837)	(1,464)	(3,802)	(3,170)
Administrative expenses	(4,005)	(2,189)	(8,177)	(7,109)
(Loss)/Profit from operation	(802)	(279)	(2,642)	7,342
Finance income	69	62	70	104
Finance costs	(713)	(452)	(1,287)	(810)
Net finance costs	(644)	(390)	(1,217)	(706)
(Loss)/Profit before taxation	(1,446)	(669)	(3,859)	6,636
Taxation	(264)	(920)	(491)	(994)
(Loss)/Profit for the period	(1,710)	(1,589)	(4,350)	5,642
(Loss)/Profit attributable to :				
Owners of the parent	(1,772)	(1,529)	(4,392)	5,608
Non-controlling interests	62	(60)	42	34
(Loss)/Profit for the period	(1,710)	(1,589)	(4,350)	5,642
Earnings per share				
Basic earnings per share (sen)	(1.34)	(1.30)	(3.33)	4.76
Diluted earnings per share (sen)	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the Annual Audited Financial Statements of the group for the year ended 31 December 2014.

IRE-TEX CORPORATION BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	Attributable to equity holders of the parent						Non-controlling Interest	Total Equity		
	Non-distributable			Distributable						
	Share Capital RM'000	ICULS RM'000	Share Premium RM'000	Warrants Reserve RM'000	Share Options Reserve RM'000	30/06/15 Reserve RM'000			Retained Earnings RM'000	Total RM'000
At 1 January 2015	52,723	21,803	5,350	9,960	-	16	(6,470)	83,382	1	83,383
Total comprehensive income for the period	-	-	-	-	-	-	(4,392)	(4,392)	42	(4,350)
Conversion of ICULS	48	(49)	4	-	-	-	-	3	-	3
Foreign exchange translation reserve	-	-	-	-	-	172	-	172	-	172
At 30 June 2015	52,771	21,754	5,354	9,960	-	188	(10,862)	79,165	43	79,208
At 1 January 2014	46,219	-	4,922	-	302	-	(320)	51,123	31	51,154
Total comprehensive income for the period	-	-	-	-	-	-	5,608	5,608	34	5,642
Exercise of employee share options	782	-	124	-	-	-	-	906	-	906
Conversion of ICULS	3,719	(516)	1,655	-	-	-	-	4,858	-	4,858
Issuance of ICULS	-	24,169	-	-	-	-	-	24,169	-	24,169
Issuance of warrants	-	-	-	9,960	-	-	-	9,960	-	9,960
Foreign exchange translation reserve	-	-	-	-	-	(121)	-	(121)	-	(121)
Lapsed of ESOS	-	-	-	-	(302)	-	302	-	-	-
Share issue expenses	-	-	(1,402)	-	-	-	-	(1,402)	-	(1,402)
At 30 June 2014	50,720	23,653	5,299	9,960	-	(121)	5,590	95,101	65	95,166

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Audited Financial Statements of the group for the year ended 31 December 2014.

IRE-TEX CORPORATION BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Current Year To Date 30/06/15 RM'000	Corresponding Year To Date 30/06/14 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,859)	6,636
Adjustments for:		
Depreciation	2,116	1,362
Fair value gain on derivatives financial instruments	-	(202)
Gain on disposal of investment	-	(128)
Loss/(Gain) on disposal of property, plant and equipment	73	(11,332)
Interest expenses	1,287	769
Interest income	(70)	(104)
Property, plant and equipment written off	1	3
Operating loss before changes in working capital	(452)	(2,996)
Changes in working capital:		
Receivables	(449)	(24,026)
Inventories	(1,199)	(262)
Payables	(1,515)	(6,776)
Cash used in operations	(3,615)	(34,060)
Interest paid	(1,287)	(769)
Income taxes paid	(522)	(259)
Net cash used in operating activities	(5,424)	(35,088)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Fixed deposits placed with licensed bank	212	(53)
Interest received	70	104
Acquisition of subsidiaries companies	-	(24,708)
Proceeds from disposal of other investments	-	1,608
Proceeds from disposal of property, plant and equipment	69	23,879
Purchase of property, plant and equipment	(1,478)	(811)
Net cash (used in)/from investing activities	(1,127)	19
Balance carried forward	(6,551)	(35,069)

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	(6,551)	(35,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers acceptance	2,921	3,204
Drawdown of term loan	-	12,626
Payment of Rights issue expenses	-	(1,402)
Proceeds from issuance of shares pursuant to ESOS	-	783
Proceeds from issuance of shares on premium	-	125
Proceeds from rights issue on ICULS	-	35,251
Proceeds from conversion of ICULS	-	4,826
Repayment of hire purchase payables	(845)	(548)
Repayment of term loans	(1,368)	(4,463)
Repayment to director	-	11
Net cash from financing activities	708	50,413
Effects of changes in exchange rates	172	(121)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,671)	15,223
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,396	14,461
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,725	29,684

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

Fixed deposits placed with licensed bank	4,186	4,480
Cash and bank balances	6,481	28,317
Bank overdraft	(3,206)	(93)
	<u>7,461</u>	<u>32,704</u>
Fixed deposit pledged to bank	(2,736)	(3,020)
	<u>4,725</u>	<u>29,684</u>

The condensed consolidated statement of cash flows should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2014.

IRE-TEX CORPORATION BERHAD
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR
QUARTER ENDED 30 JUNE 2015**

1. ACCOUNTING POLICIES

The interim financial statements 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 Securities Malaysia Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014. These explanation notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial performance and performance of the Group since the financial year ended 31 December 2014.

The Group had adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2015. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statement of the Group.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

No qualification on the audit report of the preceding financial statements of the Ire-Tex Corporation Berhad except for the below:

In the audit report of the preceding annual financial statements of Ire-Tex Corporation Berhad, the auditors expressed an opinion that the Company’s wholly-owned subsidiary, Zoomic Automation (M) Sdn Bhd had sold goods to two related parties amounting to approximately RM5.0 million. The trade receivables arising from these sales amounting to RM5.0 million and advances of RM0.8 million were subsequently impaired by the management as at financial year end. Due to insufficient appropriate audit evidence, auditors are unable to satisfy themselves as to the validity and existence of these sales and whether there were other consequential adjustments to be made to the accompanying financial statements including cost of sales and gross profits.

3. SEASONAL OR CYCLICAL FACTORS

The Group’s operations are not subject to any seasonal or cynical factors.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flow for the current quarter.

5. CHANGE IN ESTIMATES

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

6. DEBTS AND EQUITY SECURITIES

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

- i) The conversion of 960,000 units of five (5)-Year, 1%, Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) of nominal value of RM0.075 each to 120,000 units of ordinary shares of nominal value RM0.40 each.

7. DIVIDEND PAID

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

8. SEGMENTAL INFORMATION

The segmental information for the 6 months ended are as follows:

	Manufacturing	Trading	Automation	Investment Holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	55,159	524	6,063	-	61,746
Inter-segment revenue	12,517	109	527	609	13,762
Segment revenue	<u>67,676</u>	<u>633</u>	<u>6,590</u>	<u>609</u>	<u>75,608</u>
Results					
Operating loss	(54)	(222)	(592)	(1,774)	(2,642)
Net finance cost	(431)	(90)	(566)	(130)	(1,217)
Income tax expense	(434)	(16)	-	(41)	(491)
Loss after tax	<u>(919)</u>	<u>(328)</u>	<u>(1,158)</u>	<u>(1,945)</u>	<u>(4,350)</u>

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no amendments to the valuation of property, plant and equipment brought forward.

10. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the end of the financial period under review that have not been reflected in the interim financial report for the current period.

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 AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets for the financial period under review.

13. CHANGES IN MATERIAL LITIGATION

Claim made by Airdex International Inc. (“Airdex”) against Suzhou Styrotex Plastics Co. Ltd (“SSPC”)

On 10 August 2015, the wholly-owned subsidiary of the Company, SSPC had obtained the translated judgement from Suzhou City Intermediate People's Court of Jiangsu Province, The People's Republic of China as follows:

- i) SSPC to compensate the plaintiff, Airdex, the financial losses and reasonable expenses incurred for stopping the infringement of RMB500,000;
- ii) Court fees of RMB13,800; and
- iii) All other prayers by Airdex are dismissed.

14. REVIEW OF GROUP PERFORMANCE

- a) Comparison with corresponding quarter in the previous year

	Q2 2015	Q2 2014	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	28,046	22,914	5,132
- Trading	147	1,454	(1,307)
- Automation	1,754	2,007	(253)
- Investment holding	-	-	-
Total	<u>29,947</u>	<u>26,375</u>	3,572
(Loss)/Profit Before Tax			
- Manufacturing	780	(932)	1,712
- Trading	(239)	(416)	177
- Automation	(738)	142	(880)
- Investment holding	(1,249)	574	(1,823)
Total	<u>(1,446)</u>	<u>(632)</u>	(814)

The Group's revenue for the current quarter had increased by RM3.5 million or 14% to RM29.9 million as compared to RM26.4 million in the corresponding quarter in the previous year. The increase of revenue in current quarter was mainly due to higher revenue recorded by the manufacturing division.

However, the Group's loss before tax has increased from RM0.6 million in the corresponding quarter in the previous year to RM1.4 million in the current quarter which was contributed by higher losses recorded by the automation and investment holding division.

For manufacturing division, the revenue for the current quarter increased by RM5.1 million to RM28.0 million as compared to RM22.9 million in the corresponding quarter in the previous year due to increased demand for the heavy duty packaging products. The division also recorded a profit of RM0.8 million in current quarter as compared to a loss of RM0.9 million in the corresponding quarter in the previous year in line with the increased of revenue during the quarter.

For trading division, revenue for the current quarter decreased to approximately RM0.2 million as compared with RM1.5 million in the corresponding quarter in previous year, mainly due to the cessation of agricultural waste related products trading during the quarter. The division recorded a lower loss of RM0.2 million in the current quarter as compared with RM0.4 million in the corresponding quarter in previous year, due to the lower administrative costs recorded during the quarter.

For automation division, the revenue for the current quarter decreased by RM0.3 million to RM1.7 million as compared with the corresponding quarter in the previous year due to lesser automation job completed during the quarter. The division also recorded a loss of RM0.7 million during the quarter mainly due to the fixed factory overhead and higher cost of imported materials for the automation projects.

For the investment holding division, the division recorded a loss RM1.2 million mainly due to the higher administrative expenses incurred in the quarter as compared to the corresponding quarter in the previous year.

b) Comparison with preceding quarter

	Q2 2015	Q1 2015	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	28,046	27,113	933
- Trading	147	377	(230)
- Automation	1,754	4,309	(2,555)
- Investment holding	-	-	-
Total	<u>29,947</u>	<u>31,799</u>	(1,852)
Profit/(Loss) Before Tax			
- Manufacturing	780	(1,265)	2,045
- Trading	(239)	(73)	(166)
- Automation	(738)	(420)	(318)
- Investment holding	(1,249)	(655)	(594)
Total	<u>(1,446)</u>	<u>(2,413)</u>	967

The Group's revenue for the current quarter had decreased by RM1.8 million to RM29.9 million as compared to RM31.8 million in the preceding quarter. The decrease of revenue was mainly due to lower contribution from the automation division during the quarter.

However, the Group's loss before tax has decreased from RM2.4 million in the preceding quarter to RM1.4 million in the current quarter due to higher profit contributed by the manufacturing division.

For manufacturing division, the revenue for the current quarter increased by RM0.9 million to RM28.0 million as compared to RM27.1 million in the preceding quarter due to increased demand for the heavy duty packaging products. The division also recorded a profit of RM0.8 million in current quarter as opposed to a loss of RM1.3

million in the preceding quarter in line with the increased of revenue during the quarter.

For trading division, revenue for the current quarter decreased to approximately RM0.2 million as compared with RM0.4 million in the preceding quarter, mainly due to the cessation of agricultural waste related products trading during the year. The division recorded a higher loss of RM0.2 million in the current quarter as compared with RM0.1 million in the preceding quarter due to the higher administrative costs recorded during the quarter.

For automation division, the revenue for the current quarter decreased by RM2.6 million to RM1.7 million as compared with the preceding quarter due to lesser automation job completed during the quarter. The division also recorded a loss of RM0.7 million during the quarter mainly due to the fixed factory overhead and higher cost of imported parts and materials for the automation projects.

For the investment holding division, the division recorded a loss RM1.2 million mainly due to the higher administrative expenses incurred in the quarter as compared to the preceding quarter.

15. PROSPECT FOR THE FINANCIAL YEAR

With the continued weakening of ringgit against most currencies, the Group is anticipating higher sales order in the second half of the year, especially from the multi-national company customers which are export oriented.

Given the continued uncertainties in the global economy with escalating production and operation costs, the Group will remain competitive by implementing cost rationalising measures internally through consolidation of operation in the new plant for better synergy and enhance manufacturing efficiencies through investment on machineries to automate the packaging materials manufacturing process.

Barring unforeseen circumstances, the prospect of the Group for the financial year look promising.

16. PROFIT FORECAST OR PROFIT GUANRANTEE

This is not applicable to the Group.

17. TAXATION

	Current Quarter RM'000	Current Year To-date RM'000
Taxation based on results for the quarter: Current financial period	264	491

18. CORPORATE PROPOSALS

On 16 June 2014, the Company announced that the Right Issue for ICULS with Warrants has been completed, following the listing of and quotation for 470,014,000 or RM35,251,050 nominal value of Rights ICULS and 58,751,722 Warrants arising from the Rights Issue of ICULS with Warrants on the Main Market of Bursa Malaysia Securities Berhad.

The proceeds raised of RM35,251,050 have been utilised in the following manners:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Expected Time Frame of Utilisation RM'000	Balance of Utilisation RM'000
Working capital	17,751	17,751	Within 24 months	-
Repayment of bank borrowings	1,500	1,500	Within 12 months	-
Part finance the construction costs	9,000	9,000	Within 12 months	-
Purchase of machineries and equipment	6,000	6,000	Within 12 months	-
Expenses relating to the Proposal	1,000	1,000	Within 3 months	-
Total	35,251	35,251		-

19. BORROWINGS

The Group borrowings as at the end of the reporting quarters are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
Term loan	1,828	12,131	13,959
Overdraft	3,206	-	3,206
Banker's acceptance	25,119	-	25,119
Hire purchase	982	1,764	2,746
Unsecured			
ICULS – liability component	-	1,103	1,103
Total	31,135	14,998	46,133

20. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

21. DIVIDEND PAYABLE

The Company did not declare any dividends for the period under review.

22. EARNINGS PER SHARE**(a) Basic**

	Individual Period 3 months ended 30/06/15	Individual Period 3 months ended 30/06/14	Cumulative Period 6 months ended 30/06/15	Cumulative Period 6 months ended 30/06/14
Loss attributable to owners of the parent (RM'000)	(1,772)	(1,529)	(4,392)	5,608
Weighted average number of ordinary shares in issue ('000)	131,807	117,862	131,807	117,862
Loss per share (sen)	(1.34)	(1.30)	(3.33)	4.76

(b) Diluted

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

23. REALISED AND UNREALISED PROFIT OR LOSSES

The following analysis of realised and unrealised retained profits or losses of the Group is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Securities and is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

	Group As at 30/06/15 RM'000	Group As at 31/12/14 RM'000
Total accumulated losses of the Company and its subsidiaries companies:		
- Realised	(7,919)	(3,527)
- Unrealised	375	375
	(7,544)	(3,152)
Less: Consolidation adjustments	(3,318)	(3,318)
Total accumulated losses	(10,862)	(6,470)