



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED

30 SEPTEMBER 2015

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	Unaudited	Audited
	As at	As at
	30/09/15	31/12/14
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,925	44,744
Investment property	27,318	27,318
Other investment	549	549
Goodwill on consolidation	1,532	1,532
Deferred tax assets	249	295
Total non-current assets	<u>70,573</u>	<u>74,438</u>
Current assets		
Inventories	11,766	11,230
Trade receivables	34,892	32,513
Other receivables	18,044	19,127
Tax recoverable	835	629
Fixed deposits placed with licensed banks	3,106	4,425
Cash and bank balances	7,117	11,609
Total current assets	<u>75,760</u>	<u>79,533</u>
TOTAL ASSETS	<u>146,333</u>	<u>153,971</u>
EQUITY		
Share capital	52,826	52,723
Reserves	19,749	30,659
Equity attributable to owners of the parent	<u>72,575</u>	<u>83,382</u>
Non-controlling interests	(177)	1
Total equity	<u>72,398</u>	<u>83,383</u>
LIABILITIES		
Non-current liabilities		
Loan and borrowings	14,324	16,804
Deferred tax liabilities	1,030	1,030
Total non-current liabilities	<u>15,354</u>	<u>17,834</u>
Current liabilities		
Trade payables	18,572	16,826
Other payables	6,961	8,323
Loan and borrowings	33,048	27,501
Provision for taxation	-	104
Total current liabilities	<u>58,581</u>	<u>52,754</u>
Total liabilities	<u>73,935</u>	<u>70,588</u>
TOTAL EQUITY AND LIABILITIES	<u>146,333</u>	<u>153,971</u>
Net assets per share (RM)	0.55	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 SEPTEMBER 2015**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30/09/15 RM'000	3 months ended 30/09/14 RM'000	9 months ended 30/09/15 RM'000	9 months ended 30/09/14 RM'000
Revenue	33,522	28,386	95,268	77,786
Cost of sales	(29,780)	(24,287)	(82,914)	(68,406)
Gross profit	3,742	4,099	12,354	9,380
Other income	336	177	1,061	12,517
Distribution expenses	(2,157)	(1,751)	(5,959)	(4,921)
Administrative expenses	(8,232)	(4,294)	(16,409)	(11,403)
(Loss)/Profit from operation	(6,311)	(1,769)	(8,953)	5,573
Finance income	148	24	218	128
Finance costs	(641)	(517)	(1,928)	(1,327)
Net finance costs	(493)	(493)	(1,710)	(1,199)
(Loss)/Profit before taxation	(6,804)	(2,262)	(10,663)	4,374
Taxation	(108)	(98)	(599)	(1,092)
(Loss)/Profit for the period	(6,912)	(2,360)	(11,262)	3,282
(Loss)/Profit attributable to :				
Owners of the parent	(6,692)	(2,273)	(11,084)	3,335
Non-controlling interests	(220)	(87)	(178)	(53)
(Loss)/Profit for the period	(6,912)	(2,360)	(11,262)	3,282
Earnings per share				
Basic earnings per share (sen)	(5.06)	(1.86)	(8.39)	2.73
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
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	30/09/15 Reserve RM'000	Retained Earnings RM'000	Total RM'000	RM'000	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	-	-	-	-	-	-	(11,084)	(11,084)	(178)	(11,262)
Conversion of ICULS	103	(106)	9	-	-	-	-	6	-	6
Foreign exchange translation reserve	-	-	-	-	-	271	-	271	-	271
At 30 September 2015	52,826	21,697	5,359	9,960	-	287	(17,554)	72,575	(177)	72,398
At 1 January 2014	46,219	-	4,922	-	302	-	(320)	51,123	31	51,154
Total comprehensive income for the period	-	-	-	-	-	-	3,335	3,335	(53)	3,282
Exercise of employee share options	782	-	124	-	-	-	-	906	-	906
Conversion of ICULS	5,722	(2,366)	1,930	-	-	-	-	5,286	-	5,286
Issuance of ICULS	-	24,169	-	-	-	-	-	24,169	-	24,169
Issuance of warrants	-	-	-	9,960	-	-	-	9,960	-	9,960
Foreign exchange translation reserve	-	-	-	-	-	(134)	-	(134)	-	(134)
Lapsed of ESOS	-	-	-	-	(302)	-	302	-	-	-
Share issue expenses	-	-	(1,619)	-	-	-	-	(1,619)	-	(1,619)
Acquisition of equity interest in subsidiary	-	-	-	-	-	-	(297)	(297)	-	(297)
Disposal of equity interest in subsidiary	-	-	-	-	-	-	-	-	217	217
At 30 September 2014	52,723	21,803	5,357	9,960	-	(134)	3,020	92,729	195	92,924

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
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Current Year To Date 30/09/15 RM'000	Corresponding Year To Date 30/09/14 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(10,663)	4,374
Adjustments for:		
Depreciation	3,240	2,246
Fair value gain on derivatives financial instruments	-	(202)
Gain on disposal of investment	-	(128)
Loss/(Gain) on disposal of property, plant and equipment	118	(11,332)
Interest expenses	1,928	1,327
Interest income	(218)	(127)
Property, plant and equipment written off	2,058	114
Operating loss before changes in working capital	(3,537)	(3,728)
Changes in working capital:		
Receivables	(1,296)	(11,801)
Inventories	(536)	(1,741)
Payables	356	-
Cash used in operations	(5,013)	(17,270)
Interest paid	(1,928)	(1,297)
Income taxes paid	(748)	(336)
Net cash used in operating activities	(7,689)	(18,903)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Fixed deposits withdraw/(placed) with licensed bank	200	(64)
Interest received	218	127
Acquisition of subsidiaries companies	-	(24,708)
Proceeds from disposal of property, plant and equipment	247	24,122
Purchase of property, plant and equipment	(1,844)	(21,158)
Net cash used in investing activities	(1,179)	(21,681)
Balance carried forward	(8,868)	(40,584)

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	(8,868)	(40,584)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers acceptance	4,991	2,776
Drawdown of term loan	-	15,053
Payment of rights issue expenses	-	(1,620)
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	-	5,167
Repayment of hire purchase payables	(738)	(1,082)
Repayment of term loans	(1,657)	(5,956)
Repayment to director	-	(7)
Net cash from financing activities	2,596	50,490
Effects of changes in exchange rates	271	(134)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,001)	9,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,396	14,461
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,395	24,233

CASH AND CASH EQUIVALENTS

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

Fixed deposits placed with licensed bank	3,106	4,499
Cash and bank balances	7,117	22,765
Bank overdraft	(3,080)	-
	<u>7,143</u>	<u>27,264</u>
Fixed deposit pledged to bank	(2,748)	(3,031)
	<u>4,395</u>	<u>24,233</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 SEPTEMBER 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 2,360,000 units of five (5)-Year, 1%, Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) of nominal value of RM0.075 each to 295,000 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 9 months ended are as follows:

	Manufacturing	Trading	Automation	Investment Holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	86,655	694	7,919	-	95,268
Inter-segment revenue	19,376	145	452	914	20,887
Segment revenue	<u>106,031</u>	<u>839</u>	<u>8,371</u>	<u>914</u>	<u>116,155</u>
Results					
Operating profit/(loss)	996	(385)	(6,343)	(3,221)	(8,953)
Net finance cost	(544)	(90)	(892)	(184)	(1,710)
Income tax expense	(522)	(8)	(5)	(64)	(599)
Loss after tax	<u>(70)</u>	<u>(483)</u>	<u>(7,240)</u>	<u>(3,469)</u>	<u>(11,262)</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

Ire-Tex Corporation Berhad (“Ire-Tex” or “the Company”) – Writ of Summons and Statement of Claim by Ire-Tex against Teh Eng Huat and Khoo Hun Sniah in the High Court of Malaya at Penang (Civil Suit No.: 22NCVC-166-10/2015)

On 2 October 2015, the Company had, via its solicitors, Messrs Chua Associates, filed a Writ of Summons and Statement of Claim in the High Court of Malaya at Penang against Teh Eng Huat (“First Defendant”) and Khoo Hun Sniah (“Second Defendant”).

Details of the default or circumstances leading to the filing of Writ of Summons and Statement of Claim:

- i) The filing of the Writ of Summons and Statement of Claim is a result of the First Defendant and Second Defendant (collectively referred to as “Defendants”) failing to settle the outstanding amount of RM6,315,113.00, being the shortfall amounting to RM8,815,113.00 of the guaranteed profit after tax for the financial years of 2013 and 2014 (jointly and severally guaranteed by the First Defendant and Second Defendant to the Plaintiff in the proportions of 80% and 20% respectively) less the profit guarantee security of RM2,500,000.00 (“Profit Guarantee Security”), pursuant to the terms of the Sale and Purchase Agreement dated 18 November 2013, Supplemental Agreement dated 7 February 2014 and Further Supplemental Agreement dated 14 April 2015 (collectively referred to as “SPA”) entered into between the Company and the Defendants.
- ii) By two (2) notices in writing both dated 14 April 2015 to the Defendants’ stakeholder, Messrs David Lai & Tan (“Stakeholder”), each of the Defendants requested the release of the Profit Guarantee Security in favour of the Plaintiff in accordance with the terms of the SPA, which was duly released by the Stakeholder.
- iii) By a letter of demand dated 7 July 2015 and a letter of demand dated 31 July 2015 from the Plaintiff’s solicitors, the Plaintiff demanded payment of the Outstanding Amount from the Defendants. Notwithstanding the aforesaid demands, the Defendants have failed, neglected and/or refused to make payment of the Outstanding Amount, or any part thereof.

- iv) By reason of the Defendants' breach as aforesaid and in accordance with the terms of the SPA, the Plaintiff is entitled to contractual interest at the rate of 8% per annum on the Outstanding Amount from 15 July 2015 until the date of full payment.

The above matter was fixed for case management on 4 January 2016.

14. REVIEW OF GROUP PERFORMANCE

- a) Comparison with corresponding quarter in the previous year

	Q3 2015	Q3 2014	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	31,496	23,917	7,579
- Trading	170	419	(249)
- Automation	1,856	4,050	(2,194)
- Investment Holding	-	-	-
Total	33,522	28,386	5,136
Loss Before Tax			
- Manufacturing	937	(1,225)	2,162
- Trading	(163)	(376)	213
- Automation	(6,077)	542	(6,619)
- Investment Holding	(1,501)	(1,203)	(298)
Total	(6,804)	(2,262)	(4,542)

The Group's revenue for the current quarter had increased by RM5.1 million or 18% to RM33.5 million as compared to RM28.4 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 to RM6.8 million in the current quarter as compared to loss before tax of RM2.3 million in the corresponding quarter previous year 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 RM7.6 million to RM31.5 million as compared to RM23.9 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 before tax of RM0.9 million in current quarter as compared to a loss before tax of RM1.2 million in the corresponding quarter in the previous year which was contributed by higher sales recorded during the current quarter.

For trading division, revenue for the current quarter decreased to approximately RM0.2 million as compared with RM0.4 million in the corresponding quarter in previous year, mainly due to the cessation of agricultural waste related products trading. 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 increased by RM2.2 million to RM1.9 million as compared with the corresponding quarter in the previous year due to automation job completed during the quarter. The division also recorded a loss of RM6.1 million during the quarter mainly due to the impairment of slow moving stock and machinery related to the ceased LED business amounted to RM4.2 million.

For the investment holding division, the division recorded a loss of RM1.5 million mainly due to the fixed operating cost incurred in the quarter.

b) Comparison with preceding quarter

	Q3 2015	Q2 2015	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	31,496	28,046	3,450
- Trading	170	147	23
- Automation	1,856	1,754	102
- Investment holding	-	-	-
Total	<u>33,522</u>	<u>29,947</u>	<u>3,575</u>
Profit/(Loss) Before Tax			
- Manufacturing	937	780	157
- Trading	(163)	(239)	76
- Automation	(6,007)	(738)	(5,339)
- Investment holding	(1,501)	(1,249)	(252)
Total	<u>(6,804)</u>	<u>(1,446)</u>	<u>(5,358)</u>

The Group's revenue for the current quarter had increased by RM3.6 million to RM33.5 million as compared to RM29.9 million in the preceding quarter. The increase of revenue was mainly due to higher revenue recorded by the manufacturing division during the quarter.

However, the Group's loss before tax has increased from RM1.4 million in the preceding quarter to RM6.8 million in the current quarter due to higher losses incurred in automation and investment holdings division.

For manufacturing division, the revenue for the current quarter increased by RM3.5 million to RM31.5 million as compared to RM28.0 million in the preceding quarter due to increased demand for the heavy duty packaging products. Concurrently, the division recorded a profit of RM0.9 million in current quarter as compared to a profit of RM0.8 million in the preceding quarter in line with the increase of revenue.

For trading division, revenue for the current quarter maintained to approximately RM0.17 million as compared with RM0.15 million in the preceding quarter. The division recorded a lower loss of RM0.16 million in the current quarter as

compared with RM0.24 million in the preceding quarter due to the lower administrative costs recorded during the quarter.

For automation division, the revenue for the current quarter increased by RM0.1 million to RM1.9 million as compared with the preceding quarter due to higher automation job completed during the quarter. The division recorded a loss of RM6.1 million during the quarter mainly contributed by the impairment of slow moving stock and machinery related to the ceased LED business amounted to RM4.2 million.

For the investment holding division, the division recorded a loss of RM1.5 million mainly due to fixed operating cost for the 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 GUARANTEE

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	108	599

18. BORROWINGS

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

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Secured			
Term loan	1,870	11,800	13,670
Overdraft	3,080	-	3,080
Banker's acceptance	27,189	-	27,189
Hire purchase	909	1,487	2,396
Unsecured			
ICULS – liability component	-	1,037	1,037
Total	<u>33,048</u>	<u>14,324</u>	<u>47,372</u>

19. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

20. DIVIDEND PAYABLE

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

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

	Individual	Individual	Cumulative	Cumulative
	Period	Period	Period	Period
	3 months	3 months	9 months	9 months
	ended	ended	ended	ended
	30/09/15	30/09/14	30/09/15	30/09/14
Loss attributable to owners of the parent (RM'000)	(6,692)	(2,273)	(11,084)	3,335
Weighted average number of ordinary shares in issue ('000)	132,222	122,166	132,222	122,166
Loss per share (sen)	(5.06)	(1.86)	(8.39)	2.73

(b) Diluted

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

22. 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 30/09/15 RM'000	Group As at 31/12/14 RM'000
Total accumulated losses of the Company and its subsidiaries companies:		
- Realised	(13,634)	(3,527)
- Unrealised	(781)	375
	<u>(14,415)</u>	<u>(3,152)</u>
Less: Consolidation adjustments	(3,139)	(3,318)
Total accumulated losses	<u>(17,554)</u>	<u>(6,470)</u>