



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2015**

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Unaudited	Audited
	As at	As at
	31/12/15	31/12/14
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	47,378	44,744
Investment property	31,150	27,318
Other investment	549	549
Goodwill on consolidation	1,532	1,532
Deferred tax assets	230	295
Total non-current assets	<u>80,839</u>	<u>74,438</u>
Current assets		
Inventories	12,138	11,230
Trade receivables	41,195	32,513
Other receivables	13,808	19,127
Tax recoverable	1,088	629
Fixed deposits placed with licensed banks	3,023	4,425
Cash and bank balances	6,169	11,609
Total current assets	<u>77,421</u>	<u>79,533</u>
TOTAL ASSETS	<u>158,260</u>	<u>153,971</u>
EQUITY		
Share capital	53,194	52,723
Reserves	20,091	30,659
Equity attributable to owners of the parent	<u>73,285</u>	<u>83,382</u>
Non-controlling interests	1,035	1
Total equity	<u>74,320</u>	<u>83,383</u>
LIABILITIES		
Non-current liabilities		
Loan and borrowings	17,631	16,804
Deferred tax liabilities	1,489	1,030
Total non-current liabilities	<u>19,120</u>	<u>17,834</u>
Current liabilities		
Trade payables	22,026	16,826
Other payables	11,649	8,323
Loan and borrowings	31,145	27,501
Provision for taxation	-	104
Total current liabilities	<u>64,820</u>	<u>52,754</u>
Total liabilities	<u>83,940</u>	<u>70,588</u>
TOTAL EQUITY AND LIABILITIES	<u>158,260</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 31 DECEMBER 2015**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31/12/15 RM'000	3 months ended 31/12/14 RM'000	12 months ended 31/12/15 RM'000	12 months ended 31/12/14 RM'000
Revenue	36,613	30,372	131,881	108,158
Cost of sales	(29,042)	(26,180)	(111,956)	(94,586)
Gross profit	7,571	4,192	19,925	13,572
Other income	4,568	409	5,629	12,926
Distribution expenses	(2,005)	(2,093)	(7,964)	(7,014)
Administrative expenses	(7,801)	(12,245)	(24,210)	(23,648)
Profit/(Loss) from operation	2,333	(9,737)	(6,620)	(4,164)
Finance income	169	33	387	161
Finance costs	(586)	(562)	(2,514)	(1,889)
Net finance costs	(417)	(529)	(2,127)	(1,728)
Profit/(Loss) before taxation	1,916	(10,266)	(8,747)	(5,892)
Taxation	(144)	582	(743)	(510)
Profit/(Loss) for the period	1,772	(9,684)	(9,490)	(6,402)
Profit/(Loss) attributable to:				
Owners of the parent	560	(9,490)	(10,524)	(6,155)
Non-controlling interests	1,212	(194)	1,034	(247)
Profit/(Loss) for the period	1,772	(9,684)	(9,490)	(6,402)
Other comprehensive income, net of tax				
Foreign exchange translation reserve	397	-	397	-
Total comprehensive income/(loss) for the period	2,169	(9,684)	(9,093)	(6,402)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	957	(9,490)	(10,127)	(6,155)
Non-controlling interests	1,212	(194)	1,034	(247)
Total comprehensive income/(loss) for the period	2,169	(9,684)	(9,093)	(6,402)
Earnings per share				
Basic earnings per share (sen)	0.42	(7.77)	(7.91)	(5.04)
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 31 DECEMBER 2015**

	Attributable to equity holders of the parent						Distributable Accumulated Losses RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Non-distributable									
	Share Capital RM'000	ICULS RM'000	Share Premium RM'000	Warrants Reserve RM'000	Share Options Reserve RM'000	Reserve 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	-	-	-	-	-	-	(10,524)	(10,524)	1,034	(9,490)
Conversion of ICULS	471	(484)	43	-	-	-	-	30	-	30
Foreign exchange translation reserve	-	-	-	-	-	397	-	397	-	397
At 31 December 2015	53,194	21,319	5,393	9,960	-	413	(16,994)	73,285	1,035	74,320
At 1 January 2014	46,219	-	4,922	-	302	-	(320)	51,123	31	51,154
Total comprehensive income for the period	-	-	-	-	-	-	(6,155)	(6,155)	(247)	(6,402)
Exercise of employee share options	782	-	125	-	-	-	-	907	-	907
Conversion of ICULS	5,722	-	1,930	-	-	-	-	7,652	-	7,652
Issuance of ICULS	-	21,803	-	-	-	-	-	21,803	-	21,803
Issuance of warrants	-	-	-	9,960	-	-	-	9,960	-	9,960
Foreign exchange translation reserve	-	-	-	-	-	16	-	16	-	16
Lapsed of ESOS	-	-	-	-	(302)	-	302	-	-	-
Share issue expenses	-	-	(1,627)	-	-	-	-	(1,627)	-	(1,627)
Acquisition of equity interest in subsidiary	-	-	-	-	-	-	(297)	(297)	217	(80)
At 31 December 2014	52,723	21,803	5,350	9,960	-	16	(6,470)	83,382	1	83,383

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 31 DECEMBER 2015

	Current Year To Date 31/12/15 RM'000	Corresponding Year To Date 31/12/14 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(8,747)	(5,892)
Adjustments for:		
Bad debts written off	20	269
Change in fair value of investment properties	(3,498)	-
Depreciation	3,978	3,201
Fair value gain on derivatives financial instruments	-	(202)
Gain on disposal of investment	-	(128)
Loss/(Gain) on disposal of property, plant and equipment	62	(11,271)
Impairment loss on fixed asset	2,031	-
Impairment loss on receivable	554	6,625
Impairment on inventory	-	694
Impairment loss on goodwill	-	125
Interest expenses	2,514	1,888
Interest income	(387)	(161)
Inventory written off	762	-
Property, plant and equipment written off	480	122
Unrealised loss/(gain) on foreign exchange	93	(80)
Operating loss before changes in working capital	(2,138)	(4,810)
Changes in working capital:		
Receivables	(4,043)	(18,445)
Inventories	(1,670)	(3,084)
Payables	8,584	(4,868)
Cash generated from/(used in) operations	733	(31,207)
Interest paid	(2,514)	(1,888)
Income taxes paid	(988)	(912)
Net cash used in operating activities	(2,769)	(34,007)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed deposits withdraw with licensed bank	212	100
Interest received	387	80
Acquisition of interest of non-controlling interest	-	(80)
Acquisition of subsidiaries companies	-	(22,208)
Proceeds from disposal of other investments	-	1,608
Proceeds from disposal of property, plant and equipment	401	24,192
Purchase of property, plant and equipment	(9,736)	(24,467)
Net cash used in investing activities	(8,736)	(20,775)
Balance carried forward	(11,505)	(54,782)

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	(11,505)	(54,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers acceptance	2,578	3,432
Proceed from term loan	1,838	8,711
Payment of rights issue expenses	-	(1,627)
Proceeds from issuance of shares pursuant to ESOS	-	907
Proceeds from rights issue on ICULS	-	35,251
Proceeds from conversion of ICULS	-	5,167
Repayment of hire purchase payables	(383)	(1,141)
Net cash generated from financing activities	4,033	50,700
Effects of changes in exchange rates	(154)	16
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,626)	(4,066)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,395	14,461
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,769	10,395

CASH AND CASH EQUIVALENTS

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

Fixed deposits placed with licensed bank	3,023	4,425
Cash and bank balances	6,169	11,609
Bank overdraft	(3,400)	(2,691)
	<u>5,792</u>	<u>13,343</u>
Fixed deposit pledged to bank	(3,023)	(2,948)
	<u>2,769</u>	<u>10,395</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 31 DECEMBER 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 6,100,000 units of five (5)-Year, 1%, Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) of nominal value of RM0.075 each to 762,500 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 12 months ended are as follows:

	Manufacturing	Trading	Automation	Investment Holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	120,755	918	10,208	-	131,881
Inter-segment revenue	27,604	785	968	1,218	30,575
Segment revenue	<u>148,359</u>	<u>1,703</u>	<u>11,176</u>	<u>1,218</u>	<u>162,456</u>
Results					
Operating profit/(loss)	3,022	(122)	(3,589)	(5,931)	(6,620)
Net finance cost	(28)	(986)	(996)	(117)	(2,127)
Income tax expense	(672)	(71)	59	(59)	(743)
Profit/(Loss) after tax	<u>2,322</u>	<u>(1,179)</u>	<u>(4,526)</u>	<u>(6,107)</u>	<u>(9,490)</u>

9. 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.

10. CHANGES IN COMPOSITION OF THE COMPANY

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

11. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

12. 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 4 January 2016, the Senior Assistant Registrar gave the following directions to the parties:

- i) The exchange of pleadings as between the Plaintiff and the First Defendant was deemed closed. It was noted that the First Defendant had not filed any reply to the Plaintiff’s Defence to Counter-claim.
- ii) The exchange of pleadings as between the Plaintiff and the Second Defendant was deemed closed.

The Court had fixed for a case management to be held on 29 February 2016.

13. REVIEW OF GROUP PERFORMANCE

- a) Comparison with corresponding quarter in the previous year

	Q4 2015	Q4 2014	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	34,100	27,697	6,403
- Trading	224	287	(63)
- Automation	2,289	2,388	(99)
- Investment Holding	-	-	-
Total	<u>36,613</u>	<u>30,372</u>	6,241
Profit/(Loss) Before Tax			
- Manufacturing	2,542	(4,070)	6,612
- Trading	(633)	(3,276)	2,643
- Automation	2,650	(1,421)	4,071
- Investment Holding	(2,643)	(1,499)	(1,144)
Total	<u>1,916</u>	<u>(10,266)</u>	12,182

The Group’s revenue for the current quarter had increased by RM6.2 million or 21% to RM36.6 million as compared to RM30.4 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.

The Group recorded a profit before tax of RM1.9 million in the current quarter as compared to loss before tax of RM10.3 million in the corresponding quarter in the previous year which was contributed by profit recorded by the manufacturing and automation division.

For manufacturing division, the revenue for the current quarter increased by RM6.4 million to RM34.1 million as compared to RM27.7 million in the corresponding quarter in the previous year due to increased demand for the heavy duty packaging products. The division recorded a profit before tax of RM2.5 million in current quarter as compared to a loss before tax of RM4.1 million in the corresponding quarter in the previous year due to higher sales recorded, saving in operating costs and gain on fair value of investment property in the current quarter.

For trading division, revenue for the current quarter decreased to approximately RM0.2 million as compared to RM0.3 million in the corresponding quarter in previous year. The division recorded a lower loss of RM0.6 million in the current quarter as compared to RM3.3 million in the corresponding quarter in previous year, due to the saving in operating and administrative costs recorded in the current quarter.

For automation division, the revenue for the current quarter had decreased slightly by RM0.1 million to RM2.3 million as compared to the corresponding quarter in the previous year. The division recorded a profit of RM2.7 million during the quarter mainly due to reversal of the previous period impairment on trade receivables and inventories.

For the investment holding division, the loss for the current quarter increased to RM2.6 million mainly due to additional professional fees incurred on the recent corporate exercises in the current quarter.

b) Comparison with preceding quarter

	Q4 2015	Q3 2015	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	34,100	31,496	2,604
- Trading	224	170	54
- Automation	2,289	1,856	433
- Investment Holding	-	-	-
Total	<u>36,613</u>	<u>33,522</u>	3,091
Profit/(Loss) Before Tax			
- Manufacturing	2,542	937	1,605
- Trading	(633)	(163)	(470)
- Automation	2,650	(6,077)	8,727
- Investment Holding	(2,643)	(1,501)	(1,142)
Total	<u>1,916</u>	<u>(6,804)</u>	8,720

The Group's revenue for the current quarter had increased by RM3.1 million to RM36.6 million as compared to RM33.5 million in the preceding quarter. The increased of revenue was mainly due to higher revenue recorded by the manufacturing division during the quarter.

The Group recorded a profit before tax of RM1.9 million in the current quarter as compare to loss before tax of RM6.8 million in the preceding quarter mainly due to the profit contributed by the manufacturing and automation division in the current quarter.

For manufacturing division, the revenue for the current quarter increased by RM2.6 million to RM34.1 million as compared to RM31.5 million in the preceding quarter due to the increased demand for the heavy duty packaging products. The division recorded a profit of RM2.5 million in the current quarter as compared to a profit of RM0.9 million in the preceding quarter due to higher sales recorded, saving on manufacturing costs and gain on revaluation of investment property in the current quarter.

For trading division, revenue for the current quarter is maintained at approximately RM0.2 million as compared to revenue in the preceding quarter. The division recorded a higher loss of RM0.6 million in the current quarter as compared to RM0.2 million in the preceding quarter due to the higher administrative costs recorded in the current quarter.

For automation division, the revenue for the current quarter increased by RM0.4 million to RM2.3 million as compared to the preceding quarter due to more automation jobs completed in the current quarter. The division recorded a profit of RM2.7 million as compared to loss of RM6.1 million in the preceding quarter. The losses in the preceding quarter are mainly due to the impairment of slow moving stock and machinery related to ceased LED business amounted to RM4.2 million.

For the investment holding division, the division recorded a loss of RM2.6 million in the current quarter mainly due to additional professional fees incurred on the recent corporate exercises in the current quarter.

14. PROSPECT FOR THE FINANCIAL YEAR

With the continued weakening of ringgit against most currencies, the Group is anticipating higher sales order in the coming 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 next financial year look promising.

15. PROFIT FORECAST OR PROFIT GUANRANTEE

This is not applicable to the Group.

16. TAXATION

	Current Quarter RM'000	Current Year To-date RM'000
Taxation based on results for the quarter: Current financial period	144	743

17. 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	1,955	15,209	17,164
Overdraft	3,400	-	3,400
Banker's acceptance	24,776	-	24,776
Hire purchase	1,014	1,466	2,480
Unsecured			
ICULS – liability component	-	956	956
Total	31,145	17,631	48,776

18. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

19. DIVIDEND PAYABLE

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

20. EARNINGS PER SHARE

(a) Basic

	Individual Period 3 months ended 31/12/15	Individual Period 3 months ended 31/12/14	Cumulative Period 12 months ended 31/12/15	Cumulative Period 12 months ended 31/12/14
Profit/(Loss) attributable to owners of the parent (RM'000)	560	(9,490)	(10,524)	(6,155)
Weighted average number of ordinary shares in issue ('000)	132,985	122,165	132,985	122,165
Profit/(Loss) per share (sen)	0.42	(7.77)	(7.91)	(5.04)

(b) Diluted

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

21. 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 ("Bursa Securities") 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 31/12/2015 RM'000	Group 31/12/2014 RM'000
Total accumulated losses of the Company and its subsidiaries companies:		
- Realised	(17,702)	(3,527)
- Unrealised	(1,352)	375
	(19,054)	(3,152)
Less: Consolidation adjustments	2,060	(3,318)
Total accumulated losses	(16,994)	(6,470)