



**IRE-TEX CORPORATION BERHAD**

**(576121 - A)**

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED  
31 MARCH 2016**

**IRE-TEX CORPORATION BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	<b>Unaudited</b> <b>As at</b> <b>31/03/16</b> <b>RM'000</b>	<b>Audited</b> <b>As at</b> <b>31/12/15</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	47,160	47,378
Investment property	31,150	31,150
Other investment	549	549
Goodwill on consolidation	3,411	3,411
Deferred tax assets	213	230
<b>Total non-current assets</b>	<u>82,483</u>	<u>82,718</u>
<b>Current assets</b>		
Inventories	10,575	12,361
Trade receivables	34,372	41,055
Other receivables	15,646	13,809
Tax recoverable	1,152	1,184
Fixed deposits placed with licensed banks	3,186	3,023
Cash and bank balances	5,709	6,169
<b>Total current assets</b>	<u>70,640</u>	<u>77,601</u>
<b>TOTAL ASSETS</b>	<u>153,123</u>	<u>160,319</u>
<b>EQUITY</b>		
Share capital	53,299	53,194
Reserves	19,362	22,075
Equity attributable to owners of the parent	<u>72,661</u>	<u>75,269</u>
Non-controlling interests	1,188	1,034
<b>Total equity</b>	<u>73,849</u>	<u>76,303</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	17,623	17,631
Other Payables	624	643
Deferred tax liabilities	1,489	1,489
<b>Total non-current liabilities</b>	<u>19,736</u>	<u>19,763</u>
<b>Current liabilities</b>		
Trade payables	20,444	22,038
Other payables	9,934	10,975
Loans and borrowings	29,069	31,145
Provision for taxation	91	95
<b>Total current liabilities</b>	<u>59,538</u>	<u>64,253</u>
<b>Total liabilities</b>	<u>79,274</u>	<u>84,016</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>153,123</u>	<u>160,319</u>
Net assets per share (RM)	0.55	0.57

The condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 December 2015.

**IRE-TEX CORPORATION BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31/03/16 RM'000	3 months ended 31/03/15 RM'000	3 months ended 31/03/16 RM'000	3 months ended 31/03/15 RM'000
<b>Revenue</b>	35,416	31,799	35,416	31,799
Cost of sales	(31,366)	(27,848)	(31,366)	(27,848)
<b>Gross profit</b>	4,050	3,951	4,050	3,951
Other income	212	346	212	346
Distribution expenses	(2,144)	(1,965)	(2,144)	(1,965)
Administrative expenses	(3,973)	(4,172)	(3,973)	(4,172)
<b>Loss from operation</b>	(1,855)	(1,840)	(1,855)	(1,840)
Finance income	25	1	25	1
Finance costs	(585)	(574)	(585)	(574)
<b>Net finance costs</b>	(560)	(573)	(560)	(573)
<b>Loss before taxation</b>	(2,415)	(2,413)	(2,415)	(2,413)
Taxation	(16)	(227)	(16)	(227)
<b>Loss for the period</b>	(2,431)	(2,640)	(2,431)	(2,640)
<b>Loss attributable to:</b>				
Owners of the parent	(2,585)	(2,620)	(2,585)	(2,620)
Non-controlling interests	154	(20)	154	(20)
<b>Loss for the period</b>	(2,431)	(2,640)	(2,431)	(2,640)
<b>Other comprehensive income, net of tax</b>				
Foreign exchange translation reserve	(29)	160	(29)	160
<b>Total comprehensive loss for the period</b>	(2,460)	(2,480)	(2,460)	(2,480)
<b>Total comprehensive loss attributable to:</b>				
Owners of the parent	(2,614)	(2,460)	(2,614)	(2,460)
Non-controlling interests	154	(20)	154	(20)
<b>Total comprehensive loss for the period</b>	(2,460)	(2,480)	(2,460)	(2,480)
<b>Earnings per share</b>				
Basic earnings per share (sen)	(1.94)	(1.99)	(1.94)	(1.99)
Diluted earnings per share (sen)	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 December 2015.

**IRE-TEX CORPORATION BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Attributable to equity holders of the parent					Distributable Accumulated Losses RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	ICULS RM'000	Non-distributable Share Premium RM'000	Warrants Reserve RM'000	Reserve RM'000				
At 1 January 2016	53,194	21,319	5,393	9,960	414	(15,011)	75,269	1,034	76,303
Loss for the financial period	-	-	-	-	-	(2,585)	(2,585)	154	(2,431)
Other comprehensive income for the financial year:									
Foreign exchange translation reserve	-	-	-	-	(29)	-	(29)	-	(29)
Transactions with owners:									
Conversion of ICULS	105	(108)	9	-	-	-	6	-	6
At 31 March 2016	53,299	21,211	5,402	9,960	385	(17,596)	72,661	1,188	73,849
At 1 January 2015	52,723	21,803	5,350	9,960	16	(4,591)	85,261	1	85,262
Loss for the financial period	-	-	-	-	-	(2,620)	(2,620)	(20)	(2,640)
Other comprehensive income for the financial year:									
Foreign exchange translation reserve	-	-	-	-	160	-	160	-	160
At 31 March 2015	52,723	21,803	5,350	9,960	176	(7,211)	82,801	(19)	82,782

The condensed consolidated statement of changes in equity should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 December 2015.

**IRE-TEX CORPORATION BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	<b>Current Year To Date 31/03/16 RM'000</b>	<b>Corresponding Year To Date 31/03/15 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(2,415)	(2,413)
Adjustments for:		
Depreciation	970	1,080
(Gain)/Loss on disposal of property, plant and equipment	(14)	73
Interest expenses	569	512
Interest income	(23)	(35)
Property, plant and equipment written off	1	1
Unrealised loss on foreign exchange	169	-
Operating loss before changes in working capital	(743)	(782)
Changes in working capital:		
Receivables	4,846	71
Inventories	1,786	(240)
Payables	(2,214)	1,379
Cash generated from operations	3,675	428
Interest paid	(569)	(494)
Income taxes paid	(171)	(422)
Net cash generated from/(used in) operating activities	2,935	(488)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed deposits placed with licensed bank	(140)	(19)
Interest received	23	35
Proceeds from disposal of property, plant and equipment	122	69
Purchase of property, plant and equipment	(861)	(1,478)
Net cash used in investing activities	(856)	(1,393)
Balance carried forward	2,079	(1,881)

	<b>Current Year To Date RM'000</b>	<b>Corresponding Year To Date RM'000</b>
Balance brought forward	2,079	(1,881)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bankers acceptance	(2,060)	(3,126)
Payment of hire purchase	(237)	(276)
Repayment of term loans	(433)	(410)
Net cash used in financing activities	(2,730)	(3,812)
Effects of changes in exchange rates	(29)	160
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(680)</b>	<b>(5,533)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,769</b>	<b>10,396</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,089</b>	<b>4,863</b>

**CASH AND CASH EQUIVALENTS**

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

Fixed deposits placed with licensed bank	3,186	4,052
Cash and bank balances	5,709	5,740
Bank overdraft	(3,760)	(1,962)
	<u>5,135</u>	<u>7,830</u>
Fixed deposit pledged to bank	(3,046)	(2,967)
	<u>2,089</u>	<u>4,863</u>

The condensed consolidated statement of cash flows should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 December 2015.

**IRE-TEX CORPORATION BERHAD**  
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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR  
QUARTER ENDED 31 MARCH 2016**

**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 2015. 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 2015.

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 2016. 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**

The auditors' report of the preceding annual financial statements was not qualified.

**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 3 months ended are as follows:

	<b>Manufacturing</b>	<b>Trading</b>	<b>Automation</b>	<b>Investment Holding</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>					
External revenue	32,977	74	2,365	-	35,416
Inter-segment revenue	8,985	319	-	305	9,609
Segment revenue	<u>41,962</u>	<u>393</u>	<u>2,365</u>	<u>305</u>	<u>45,025</u>
<b>Results</b>					
Operating loss	(358)	136	(352)	(1,281)	(1,855)
Net finance cost	(117)	(192)	(90)	(161)	(560)
Income tax expense	-	-	-	(16)	(16)
Loss after tax	<u>(475)</u>	<u>(56)</u>	<u>(442)</u>	<u>(1,458)</u>	<u>(2,431)</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. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

## 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 (“First Defendant”) and Khoo Hun Sniah (“Second Defendant”) in the High Court of Malaya at Penang (Civil Suit No.: 22NCVC-166-10/2015)*

On 18 May 2016, the Board of Directors of Ire-Tex announced that:

- i) A Notice of Change of Solicitors has been filed at the Penang High Court on 13 May 2016 by Messrs. Jal & Lim, the new solicitors representing the Company for the litigation.
- ii) The Court proceeded to fix the next case management on 13 June 2016 for Messrs. Jal & Lim to file an affidavit in reply to the Affidavit in Support affirmed by the First Defendant on 29 April 2016 in relation to the application for discovery of documents (“Discovery Application”); and file an affidavit in reply to the affidavit affirmed by the Second Defendant on 12 May 2016 in relation to Ire-Tex’s O14 Application against Second Defendant.

The Court had fixed for a case management to be held on 13 June 2016.

### 14. LISTING REQUIREMENT

The auditor have performed limited review on this report solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad.

### 15. REVIEW OF GROUP PERFORMANCE

- a) Comparison with corresponding quarter in the previous year

	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>			
- Manufacturing	32,977	27,113	5,864
- Trading	74	377	(303)
- Automation	2,365	4,309	(1,944)
- Investment Holding	-	-	-
<b>Total</b>	<u>35,416</u>	<u>31,799</u>	3,617
<b>Loss Before Tax</b>			
- Manufacturing	(475)	(1,265)	790
- Trading	(56)	(73)	17
- Automation	(442)	(420)	(22)
- Investment Holding	(1,442)	(655)	(787)
<b>Total</b>	<u>(2,415)</u>	<u>(2,413)</u>	(2)

The Group's revenue for the current quarter had increased by RM3.6 million or 11% to RM35.4 million as compared to RM31.8 million in the corresponding quarter in the previous year. The increased of revenue in current quarter was mainly due to higher revenue recorded by the manufacturing division.

The Group's loss before tax remained at RM2.4 million in the current quarter as compared to loss before tax in the corresponding quarter in the previous year.

For manufacturing division, the revenue for the current quarter increased by RM5.9 million to RM33.0 million as compared to RM27.1 million in the corresponding quarter in the previous year due to increased demand for the heavy duty packaging products. The division recorded a better result due to higher sales recorded and continuous saving in manufacturing costs since corresponding quarter in the previous year.

For trading division, revenue for the current quarter recorded at approximately RM0.1 million as compared to RM0.4 million in the corresponding quarter in previous year. The division recorded a loss before taxation of RM0.1 million in both current quarter and corresponding quarter in previous year.

For automation division, the revenue for the current quarter is recorded at RM2.4 million as compared RM4.3 million for the corresponding quarter in the previous year. The sales recorded for the current quarter are based on automation project completed during the period. The division recorded a loss of RM0.4 million during the quarter.

For the investment holding division, the loss for the current quarter increased to RM1.4 million mainly due to higher administrative cost such as professional fee and legal fee incurred in the current quarter.

b) Comparison with preceding quarter

	<b>Q1 2016</b>	<b>Q4 2015</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>			
- Manufacturing	32,977	34,100	(1,123)
- Trading	74	224	(150)
- Automation	2,365	2,289	76
- Investment Holding	-	-	-
<b>Total</b>	<u>35,416</u>	<u>36,613</u>	(1,197)
<b>Profit/(Loss) Before Tax</b>			
- Manufacturing	(475)	3,119	(3,594)
- Trading	(56)	(1,007)	951
- Automation	(442)	2,734	(3,176)
- Investment Holding	(1,442)	(2,642)	1,200
<b>Total</b>	<u>(2,415)</u>	<u>2,204</u>	(4,619)

The Group's revenue for the current quarter had decreased by RM1.2 million to RM35.4 million as compared to RM36.7 million in the preceding quarter. The decreased of revenue was mainly due to lower revenue recorded by the manufacturing division during the quarter.

The Group recorded a loss before tax of RM2.4 million in the current quarter as compare to profit before tax of RM2.2 million in the preceding quarter mainly due to the loss recorded by the manufacturing and automation division in the current quarter.

For manufacturing division, the revenue for the current quarter decreased by RM1.1 million to RM33.0 million as compared to RM34.1 million in the preceding quarter due lower order trend in first quarter. The division recorded a loss of RM0.5 million in the current quarter as compared to a profit of RM3.1 million in the preceding quarter mainly due to gain on revaluation of investment property amounted to RM3.7 million in preceding quarter.

For trading division, revenue for the current quarter is recorded at RM0.1 million as compared to RM0.2 million in the preceding quarter. The division recorded a loss before taxation of RM0.1 million in the current quarter as compared to loss before taxation of RM1.0 million in the preceding quarter due to the lower administrative costs recorded in the current quarter.

For automation division, the revenue for the current quarter is maintained at approximately RM2.3 million as compared to the preceding quarter revenue. The division recorded a loss before taxation of RM0.4 million as compared to profit before taxation of RM2.7 million in the preceding quarter. The profit in the preceding quarter is mainly due to reversal of impairment on trade receivables and inventories.

For the investment holding division, the loss for the current quarter decreased to RM1.4 million mainly due to lower administrative cost in the current quarter.

## **16. 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 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.

## **17. PROFIT FORECAST OR PROFIT GUANRANTEEE**

This is not applicable to the Group.

**18. TAXATION**

	<b>Current Quarter RM'000</b>	<b>Current Year To-date RM'000</b>
Taxation based on results for the quarter: Current financial period	16	16

**19. LOANS AND BORROWINGS**

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

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Term loan	1,645	15,086	16,731
Overdraft	3,760	-	3,760
Banker's acceptance	22,716	-	22,716
Hire purchase	948	1,649	2,597
<b>Unsecured</b>			
ICULS – liability component	-	888	888
<b>Total</b>	<u>29,069</u>	<u>17,623</u>	<u>46,692</u>

**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

	<b>Individual Period 3 months ended 31/03/16</b>	<b>Individual Period 3 months ended 31/03/15</b>	<b>Cumulative Period 3 months ended 31/03/16</b>	<b>Cumulative Period 3 months ended 31/03/15</b>
Loss attributable to owners of the parent (RM'000)	(2,585)	(2,620)	(2,585)	(2,620)
Weighted average number of ordinary shares in issue ('000)	133,247	131,807	133,247	131,807
Loss per share (sen)	(1.94)	(1.99)	(1.94)	(1.99)

### (b) Diluted

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

## 23. REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised accumulated 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.

	<b>Group 31/03/2016 RM'000</b>	<b>Group 31/12/2015 RM'000</b>
Total accumulated losses of the Company and its subsidiaries companies:		
- Realised	(21,231)	(19,224)
- Unrealised	(169)	255
	(21,400)	(18,969)
Less: Consolidation adjustments	3,804	3,958
Total accumulated losses	(17,596)	(15,011)

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.