

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Unaudited As at 30/6/17 RM'000	Audited As at 31/12/16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	44,183	45,986
Investment properties	22,600	22,600
Other investment	549	549
Asset held for sale	8,800	8,800
Deferred tax assets	130	163
Total non-current assets	<u>76,262</u>	<u>78,098</u>
Current assets		
Inventories	5,096	6,945
Trade receivables	15,094	35,099
Other receivables	3,064	2,957
Tax recoverable	987	963
Fixed deposits placed with licensed banks	3,060	2,912
Cash and bank balances	2,951	2,855
Total current assets	<u>30,252</u>	<u>51,731</u>
TOTAL ASSETS	<u>106,514</u>	<u>129,829</u>
EQUITY		
Share capital	53,915	53,697
Reserves	(12,668)	(5,976)
Equity attributable to owners of the parent	<u>41,247</u>	<u>47,721</u>
Non-controlling interests	1,339	1,294
Total equity	<u>42,586</u>	<u>49,015</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	14,041	15,933
Deferred tax liabilities	1,723	1,169
Total non-current liabilities	<u>15,764</u>	<u>17,102</u>
Current liabilities		
Trade payables	10,884	23,679
Other payables	15,319	15,774
Loans and borrowings	21,917	24,145
Provision for taxation	44	114
Total current liabilities	<u>48,164</u>	<u>63,712</u>
Total liabilities	<u>63,928</u>	<u>80,814</u>
TOTAL EQUITY AND LIABILITIES	<u>106,514</u>	<u>129,829</u>
Net assets per share (RM)	0.31	0.36

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 2016.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30/6/17 RM'000	3 months ended 30/6/16 RM'000	6 months ended 30/6/17 RM'000	6 months ended 30/6/16 RM'000
Revenue	13,814	33,467	39,852	68,883
Cost of sales	(14,426)	(29,705)	(39,024)	(61,071)
Gross profit	(612)	3,762	828	7,812
Other income	20	208	154	420
Distribution expenses	(852)	(2,053)	(2,064)	(4,197)
Administrative expenses	(2,263)	(5,369)	(4,203)	(9,342)
Loss from operation	(3,707)	(3,452)	(5,285)	(5,307)
Finance income	17	36	48	61
Finance costs	(677)	(1,162)	(1,162)	(1,167)
Net finance costs	(660)	(1,126)	(1,114)	(1,106)
Loss before tax	(4,367)	(4,578)	(6,399)	(6,413)
Taxation	(16)	(77)	(33)	(93)
Loss for the period	(4,383)	(4,655)	(6,432)	(6,506)
Items that are or may be classified subsequently to profit or loss				
Exchange translation differences for foreign operations	(44)	(28)	(44)	(57)
Total comprehensive loss for the period	(4,427)	(4,683)	(6,476)	(6,563)
Loss for the period attributable to:				
Owners of the parent	(4,275)	(4,718)	(6,388)	(6,723)
Non-controlling interests	(108)	63	(44)	217
Total comprehensive loss attributable to:	(4,383)	(4,655)	(6,432)	(6,506)
Loss for the period attributable to:				
Owners of the parent	(4,319)	(4,746)	(6,432)	(6,780)
Non-controlling interests	(108)	63	(44)	217
	(4,427)	(4,683)	(6,476)	(6,563)
Loss per share				
Basic loss per share (sen)	(3.18)	(3.54)	(4.75)	(5.05)
Diluted loss 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 2016.

IRE-TEX CORPORATION BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Equity components of ICULS		Attributable to owners of the parent				Accumulated losses	Foreign currency translation reserve	Warrant reserve	Total	Non-controlling interests	Total equity
	Share capital	Equity components of ICULS	Share premium	Share premium	Warrant reserve	Foreign currency translation reserve						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	53,697	20,803	5,439	9,960	369	(42,547)	47,721	1,294	49,015			
Loss for the financial period	-	-	-	-	-	(6,476)	(6,476)	45	(6,431)			
Transactions with owners: Conversion of ICULS	218	(236)	20	-	-	-	2	-	2			
At 30 June 2017	53,915	20,567	5,459	9,960	369	(49,023)	41,247	1,339	42,586			
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	-	-	-	-	-	(6,723)	(6,723)	217	(6,506)			
Other comprehensive loss for the financial period:												
Foreign exchange translation reserve	-	-	-	-	(57)	-	(57)	-	(57)			
Transactions with owners: Conversion of ICULS	105	(108)	9	-	-	-	6	-	6			
At 30 June 2016	53,299	21,211	5,402	9,960	357	(21,734)	68,495	1,251	69,746			

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 2016.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Current Year To Date 30/6/17 RM'000	Corresponding Year To Date 31/12/16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(6,399)	(26,860)
Adjustments for:		
Bad debts recovered		(2)
Fair value gain of investment properties	-	(250)
Depreciation of property, plant and equipment	1,803	3,819
Loss on disposal of property, plant and equipment	1	360
Impairment loss on property, plant and equipment	-	14,487
Impairment loss on goodwill	-	3,411
Finance cost	942	2,245
Finance income	(48)	(90)
Property, plant and equipment written off	8	179
Inventories written-off	-	48
Inventories written down	-	46
Operating loss before changes in working capital	(3,693)	(2,849)
Changes in working capital:		
Receivables	19,898	6,349
Inventories	1,849	5,322
Payables	(13,376)	970
Cash generated from operations	4,678	9,792
Interest paid	(942)	(2,245)
Tax paid	(94)	(405)
Net cash generated from operating activities	3,642	7,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of pledged fixed deposits	-	340
Placement of pledged fixed deposits	(100)	(140)
Interest received	-	2
Proceeds from disposal of property, plant and equipment	-	643
Acquisition of property, plant and equipment	(9)	(1,405)
Acquisition of subsidiaries companies	-	(25)
Net cash used in investing activities	(109)	(585)
Balance carried forward	3,533	6,557

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	3,533	6,557
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed/(repayment) from bankers acceptance	(783)	(6,798)
Payment of finance lease liabilities	(405)	(1,273)
Repayment of term loans	(919)	(1,770)
Net cash used in financing activities	(2,105)	(9,841)
Effects of exchange translation differences on cash and cash equivalents	-	(145)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,428</u>	<u>(3,429)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(660)	2,769
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>768</u></u>	<u><u>(660)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period comprise:		
Fixed deposits with licensed bank	3,060	2,912
Cash and bank balances	2,951	2,855
Bank overdrafts	(2,183)	(3,515)
	<u>3,828</u>	<u>2,252</u>
Less: Fixed deposit pledged with licensed banks	(3,060)	(2,912)
	<u><u>768</u></u>	<u><u>(660)</u></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 2016.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR
QUARTER ENDED 30 JUNE 2017**

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 2016. 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 2016.

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. BASIS OF PREPARATION

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 - 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

		Effective dates for financial periods beginning on or after
Amendments to MFRS 15	Clarification to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any seasonal or cyclical factors.

5. UNUSUAL ITEMS

For current quarter, Suzhou Ire-Tex Sourcing Co, Ltd. has not submitted the quarterly result as request from Board of Director. Hence, current quarter result has not consolidated the said subsidiary result. The BOD foresee this is a serious matters which need to resolve as soon as possible. Hence, BOD have make a police report on 11 May 2017.

6. CHANGE IN ESTIMATES

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

7. 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 4,592,400 units of five (5)-Year, 1%, Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of nominal value of RM0.075 each to 574,050 units of ordinary shares of nominal value RM0.40 each.

8. DIVIDEND PAID

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

9. SEGMENTAL INFORMATION

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

	Manufacturing	Trading	Automation	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	40,096	77	(318)	-	-	39,852
Inter-segment revenue	7,525	445	-	609	-	8,579
Segment revenue	<u>47,621</u>	<u>522</u>	<u>(318)</u>	<u>609</u>	<u>-</u>	<u>48,434</u>
Results						
Operating loss	(1,926)	(1,393)	(654)	(1,287)	(25)	(4,819)
Net finance cost	(555)	(532)	-	(27)	-	(1,580)
Income tax expense	-	-	-	(33)	-	(33)
Profit/(Loss) after tax	<u>(2,481)</u>	<u>(1,925)</u>	<u>(907)</u>	<u>(1,347)</u>	<u>(25)</u>	<u>(6,432)</u>

10. SIGNIFICANT EVENTS DURING THE CURRENT QUARTER

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. VALUATION OF INVESTMENT PROPERTY

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

12. CHANGES IN COMPOSITION OF THE COMPANY

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

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. CHANGES IN MATERIAL LITIGATION

- a. On 07.04.2017, Iretex Corporation Berhad (ITCB) has raised a Writ of Summons and Statement of Claim against Tey Por Yee, Lim Chye Guan, Future Rank Sdn Bhd (FRSB), Mohd Zamzuri Bin Zakaria and Musa Bin Abu Bakar in the High Court of Malaya at Kuala Lumpur (Civil suit no. WA-22NCC-122-04/2017).

The claim is for a sum of RM11.5 million which was caused to be paid out by Tey Por Yee and Lim Chye Guan as the Company's cheque signatories to FRSB; when they knew or ought to know that there was no proper purpose or reason for making such payment. The matter is fixed for trial on 18th to 20th December 2017.

ITCB is claiming interest and costs against the named defendants.

- b. On 01.08.2017, Iretex Corporation Berhad (ITCB) has raised a Writ of Summons and Statement of Claim against OGL Asia Resources, Kong Hon Kay, Christopher Purcell and Lai Soon Ong in the High Court of Malaya at Kuala Lumpur (Civil suit no. WA-22NCC-314-07/2017)

The claim is for a sum of RM1.8 million which was unlawful payments to OGL who the other named defendants were officers of the Company during the material time have breached various duties owed to the Company by reason of making unlawful payments to OGL.

OGL did not have any right to bill the Company and/or receive any payments from the Company as it did not render any services to the Company nor supply any goods to the Company.

ITCB is claiming interest and costs against the named defendants.

- c. Hong Light Electrical (M) Sdn Bhd vs Ire-Tex Paper Packaging Sdn Bhd

Letter award dated 06.12.2013 was issued for supply, delivery and installation of electrical services to Kulim factory and office. The award was accepted by claimant, Hong Light Electrical (M) Sdn Bhd on 10.12.2013 and a dispute arose between parties as a result of non-payment of RM501k as claimed by claimant.

The plaintiff filed an application to Court to enforce the adjudication decision dated 16.06.2017 obtained in the sum of RM501k. On 18.08.2017, the plaintiff obtained order in respect of their application.

15. 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 and qualified conclusion was issue.

16. REVIEW OF GROUP PERFORMANCE

a) Comparison with corresponding quarter in the previous year

	Q2 2017 RM'000	Q2 2016 RM'000	Variance RM'000
Revenue			
- Manufacturing	13,772	32,415	(18,643)
- Trading	40	67	(27)
- Automation	5	957	(952)
- Investment Holding	-	28	(28)
Total	<u>13,817</u>	<u>33,467</u>	(19,650)
Profit/(Loss) Before Tax			
- Manufacturing	(2,581)	(1,017)	(1,564)
- Trading	(1,040)	(68)	(972)
- Automation	(166)	(735)	569
- Investment Holding	(567)	(2,178)	1,611
- Others	(14)	-	(14)
Total	<u>(4,368)</u>	<u>(3,998)</u>	(370)

The Group's revenue for the current quarter had reduced by RM19.650 million or 59% to RM13.817 million as compared to RM33.467 million in the corresponding quarter in the previous year. The reduced of revenue in current quarter was mainly due to reduced revenue in manufacturing division and no revenue generated from automation division during current quarter.

The Group recorded a loss before tax of RM4.368 million in the current quarter as compare to loss before tax of RM3.998 million in the corresponding quarter in the previous year. The result was mainly due to losses suffered by manufacturing division where the sales has significant drop of RM18.643 million. Furthermore, the increase of material costs, major impact from strengthen of USD and demand on material in the market has given a major impact to the group. As a result, manufacturing division has suffered losses at RM2.581 million in the quarter.

For trading division, revenue for the current quarter recorded at RM0.04 million as compared to RM0.067 million in the corresponding quarter in the previous year.

For automation division, there is no revenue recorded due to no project completed during current quarter.

For the investment holding division, the loss for the current quarter recorded by RM0.567 million compared to RM2.178 million in the corresponding quarter in the previous year mainly due to the reduce on the benefit in kind of the directors and reduce on the professional fees.

For the others division, there is no revenue generated at the moment, therefore the results of loss before taxation is mainly due to administration cost.

b) Comparison with preceding quarter

	Q2 2017	Q1 2017	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	13,772	26,324	(12,552)
- Trading	40	37	(3)
- Automation	5	(323)	(323)
- Investment Holding	-	-	-
Total	<u>13,817</u>	<u>26,038</u>	(12,221)
Profit/(Loss) Before Tax			
- Manufacturing	(2,581)	100	(2,681)
- Trading	(1,040)	(885)	(155)
- Automation	(166)	(488)	322
- Investment Holding	(567)	(747)	180
- Others	(14)	(11)	(3)
Total	<u>(4,368)</u>	<u>(2,031)</u>	(2,337)

The Group's revenue for the current quarter had decreased by RM12.221 million to RM13.817 million as compared to RM26.038 million in the preceding quarter. The reduced of revenue in current quarter was mainly due to reduced revenue in manufacturing division.

The Group recorded a loss before tax of RM4.368 million in the current quarter as compare to loss before tax of RM2.031 million in the preceding quarter. The result was mainly due to decrease in sales for the in the current quarter.

For manufacturing division, the revenue for the current quarter decreased by RM12.552 million to RM13.772 million as compared to RM26.324 million in the preceding quarter. The division recorded a loss before taxation of RM2.581 million in the current quarter as compared to profit before taxation of RM0.100 million in the preceding quarter. The result was mainly due to decrease of sales which unable to sustain the costs of operation.

For automation division, there is no revenue recorded both current and preceding quarter. The division recorded a loss before taxation approximately RM0.166 million as compared to loss before taxation of RM0.488 million in the preceding quarter.

For the investment holding division, the loss for the current quarter recorded at RM0.567 million as compare to RM0.747 million in preceding quarter.

For the others division, there is no revenue generated at the moment, therefore the results of loss before taxation is mainly due to administration cost.

17. PROSPECT FOR THE FINANCIAL YEAR

Barring unforeseen circumstances, the prospect of the Group for the financial year is remaining optimistic.

18. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable to the Group.

19. TAXATION

	Current Quarter RM'000	Current Year To-date RM'000
Taxation based on results for the quarter:		
Current financial period	16	33

20. LOANS AND BORROWINGS

The Group loans and 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	1,823	12,652	14,775
Overdraft	2,183	-	2,183
Banker's acceptance	17,194	-	17,194
Hire purchase	717	1,389	2,106
Unsecured			
ICULS – liability component	-	554	554
Total	<u>21,917</u>	<u>14,595</u>	<u>36,512</u>

21. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

22. DIVIDEND PAYABLE

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

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

	Individual Period 6 months ended 30/6/17	Individual Period 6 months ended 30/6/16	Cumulative Period 12 months ended 30/6/17	Cumulative Period 12 months ended 30/6/16
Loss attributable to owners of the parent (RM'000)	(4,275)	(4,718)	(6,388)	(6,723)
Weighted average number of ordinary shares in issue ('000)	134,446	133,247	134,446	133,247
Loss per share (sen)	(3.18)	(3.54)	(4.75)	(5.05)

(b) Diluted

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

24. 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.

	Group 30/6/2017 RM'000	Group 31/12/2016 RM'000
Total accumulated losses of the Company and its subsidiaries companies:		
- Realised	(59,431)	(52,951)
- Unrealised	(1,670)	(1,222)
	<u>(61,101)</u>	<u>(54,173)</u>
Less: Consolidation adjustments	12,078	12,122
Total accumulated losses	<u>(49,023)</u>	<u>(42,051)</u>

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.