



**IRE-TEX CORPORATION BERHAD**

**(576121 - A)**

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT**

**FOR THE FINANCIAL PERIOD ENDED**

**31 MARCH 2018**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>31/03/18</b>	<b>31/12/17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	38,731	39,474
Investment properties	22,600	22,600
Other investment	-	-
Deferred tax assets	59	80
<b>Total non-current assets</b>	<u>61,390</u>	<u>62,154</u>
<b>Current assets</b>		
Inventories	960	1,423
Trade receivables	5,165	5,516
Other receivables	2,264	2,168
Tax recoverable	103	712
Fixed deposits placed with licensed banks	149	398
Cash and bank balances	613	2,546
<b>Total current assets</b>	<u>9,254</u>	<u>12,763</u>
Asset held for sale	8,800	8,800
<b>TOTAL ASSETS</b>	<u>79,444</u>	<u>83,717</u>
<b>EQUITY</b>		
Share capital	62,308	60,839
Reserves	(32,660)	(29,179)
Equity attributable to owners of the parent	<u>29,648</u>	<u>31,660</u>
Non-controlling interests	1,051	1,148
<b>Total equity</b>	<u>30,699</u>	<u>32,808</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	13,914	13,148
Deferred tax liabilities	1,038	1,038
<b>Total non-current liabilities</b>	<u>14,952</u>	<u>14,186</u>
<b>Current liabilities</b>		
Trade payables	9,668	9,731
Other payables	12,124	12,509
Loans and borrowings	11,969	14,392
Provision for taxation	32	91
<b>Total current liabilities</b>	<u>33,793</u>	<u>36,723</u>
<b>Total liabilities</b>	<u>48,745</u>	<u>50,909</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>79,444</u>	<u>83,717</u>
Net assets per share (RM)	0.22	0.24

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 2017.

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	3 months ended 31/03/18	3 months ended 31/03/17			3 months ended 31/03/18	3 months ended 31/03/17		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Revenue</b>	3,625	26,038	(22,413)	-86%	3,625	26,038	(22,413)	-86%
Cost of sales	(3,352)	(24,598)	21,246	-86%	(3,352)	(24,598)	21,246	-86%
<b>Gross profit</b>	273	1,440	(1,167)	-81%	273	1,440	(1,167)	-81%
Other income	219	134	85	63%	219	134	85	63%
Distribution expenses	(206)	(1,212)	1,006	-83%	(206)	(1,212)	1,006	-83%
Administrative expenses	(2,045)	(1,939)	(106)	5%	(2,045)	(1,939)	(106)	5%
<b>Loss from operation</b>	(1,759)	(1,577)	(182)	12%	(1,759)	(1,577)	(182)	12%
Finance income	-	31	(31)	-100%	-	31	(31)	-100%
Finance costs	(418)	(485)	67	-14%	(418)	(485)	67	-14%
Net finance cost	(418)	(454)	36	-8%	(418)	(454)	36	-8%
<b>Loss before tax</b>	(2,177)	(2,031)	(146)	7%	(2,177)	(2,031)	(146)	7%
Taxation	(26)	(17)	(9)	53%	(26)	(17)	(9)	53%
<b>Loss for the period</b>	(2,203)	(2,048)	(155)	8%	(2,203)	(2,048)	(155)	8%
<b>Items that are or may be classified subsequently to profit or loss</b>								
Exchange translation differences for foreign operations	-	-			-	-		
<b>Total comprehensive loss for the period</b>	(2,203)	(2,048)	(155)	8%	(2,203)	(2,048)	(155)	8%
<b>Loss for the period attributable to:</b>								
Owners of the parent	(2,106)	(2,112)	6	0%	(2,106)	(2,112)	6	0%
Non-controlling interests	(97)	64	(161)	-252%	(97)	64	(161)	-252%
<b>Total comprehensive loss attributable to:</b>								
Owners of the parent	(2,106)	(2,112)	6	0%	(2,106)	(2,112)	6	0%
Non-controlling interests	(97)	64	(161)	-252%	(97)	64	(161)	-252%
<b>Loss per share</b>								
Basic loss per share (sen)	(1.49)	(1.57)	0	-5%	(1.49)	(1.57)	0	-5%
Diluted loss per share (sen) *	-	-			-	-		

\* The Group does not have any dilutive potential ordinary shares as the market price of the share was lower than the exercise price. As a result, these warrant are anti-dilutive in nature and have not been considered in the computation of diluted earnings per share.

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 2017.

**IRE-TEX CORPORATION BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Attributable to owners of the parent						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Equity components of ICULS RM'000	<i>Non-distributable</i>		Foreign currency translation reserve RM'000	Accumulated losses RM'000			
	Share premium RM'000	Warrant reserve RM'000							
At 1 January 2018	60,839	19,200	-	9,960	351	(58,690)	31,660	1,148	32,808
Loss for the financial period	-	-	-	-	-	(2,106)	(2,106)	(97)	(2,203)
Transactions with owners:									
Conversion of ICULS	1,469	(1,375)	-	-	-	-	94	-	94
At 31 March 2018	<u>62,308</u>	<u>17,825</u>	<u>-</u>	<u>9,960</u>	<u>351</u>	<u>(60,796)</u>	<u>29,648</u>	<u>1,051</u>	<u>30,699</u>
At 1 January 2017	53,697	20,803	5,439	9,960	369	(42,546)	47,722	1,294	49,016
Loss for the financial period	-	-	-	-	-	(2,112)	(2,112)	64	(2,048)
Transactions with owners:									
Conversion of ICULS	118	(122)	11	-	-	-	7	-	7
At 31 March 2017	<u>53,815</u>	<u>20,681</u>	<u>5,450</u>	<u>9,960</u>	<u>369</u>	<u>(44,658)</u>	<u>45,617</u>	<u>1,358</u>	<u>46,975</u>

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 2017.

**IRE-TEX CORPORATION BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<b>Current Year To Date 31/03/18 RM'000</b>	<b>Corresponding Year To Date 31/12/17 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(2,177)	(16,211)
Adjustments for:		
Depreciation of property, plant and equipment	743	3,534
Gain on disposal of property, plant and equipment	-	(1)
Impairment loss on:		
- Property, plant and equipment	-	2,957
- Trade receivables	-	138
- Other receivables	-	72
- Other investments	-	549
Finance cost	418	1,726
Finance income	-	(111)
Waiver of debt	-	(3,337)
Inventories written down	-	685
Unrealised loss/gain on forex exchange	-	228
Operating loss before changes in working capital	(1,016)	(9,771)
Changes in working capital:		
Receivables	255	29,970
Inventories	463	4,837
Payables	(449)	(14,260)
Cash generated from operations	(747)	10,776
Interest paid	(418)	(1,726)
Tax refund	554	227
Net cash (used in)/generated from operating activities	(611)	9,277
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawal of pledged fixed deposits	249	2,515
Interest received	-	111
Proceeds from disposal of property, plant and equipment	-	33
Acquisition of property, plant and equipment	-	(11)
Net cash generated from investing activities	249	2,648
Balance carried forward	(362)	11,925

	<b>Current Year To Date 31/03/18 RM'000</b>	<b>Corresponding Year To Date 31/12/17 RM'000</b>
Balance brought forward	(362)	11,925
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment from bankers' acceptance	(387)	(10,936)
Payment of finance lease liabilities	(132)	(779)
Repayment of term loans	(377)	(1,351)
Net cash used in financing activities	(896)	(13,066)
Effects of exchange translation differences on cash and cash equivalents	-	(45)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,258)</b>	<b>(1,186)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>(1,846)</b>	<b>(660)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(3,104)</b>	<b>(1,846)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the end of the financial period comprise:		
Fixed deposits with licensed bank	149	398
Cash and bank balances	613	2,546
Bank overdrafts	(3,717)	(4,392)
	<b>(2,955)</b>	<b>(1,448)</b>
Less: Fixed deposit pledged with licensed banks	(149)	(398)
	<b>(3,104)</b>	<b>(1,846)</b>

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 2017.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR QUARTER ENDED 31 MARCH 2018**

**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 2017. 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 2017.

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 2018. 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:

		<b>Effective dates for financial periods beginning on or after</b>
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128	Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Employee Benefits	1 January 2019
Annual Improvement to MFRSs 2015-2017 Cycles		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be confirmed

### 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

There was no unusual items of significant size or nature recorded during the current quarter.

### 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.

### 8. DIVIDEND PAID

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

### 9. SEGMENTAL INFORMATION

The segmental information for the 3 months ended is as follows:

	Manufacturing	Trading	Automation	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
External revenue	3,152	69	-	404	-	3,625
Inter-segment revenue	-	-	-	304	-	304
Segment revenue	3,152	69	-	708	-	3,929
<b>Results</b>						
Operating loss	(1,484)	(64)	(84)	(75)	(52)	(1,759)
Net finance cost	(403)	-	-	-	(15)	(418)
Income tax expense	(15)	-	-	(11)	-	(26)
Loss after tax	(1,902)	(64)	(84)	(86)	(67)	(2,203)



## **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 16 June 2017, Stoppani Systems Sdn Bhd (“SS”) obtained a judgment against Zoomic Technology (M) Sdn Bhd (“ZT”) for a total sum of RM313,100 and the return of a transformer and all related components to SS.

On 27 October 2017, SS sought to enforce the judgment by filing an Originating Summons in the Penang High Court (Case No.PA-24NCVC-930-10/2017) for an order for sale against ZT’s two immovable properties.

We have instructed the lawyer to file an appeal.

- b. On 2 November 2017, ITCB filed a Writ and Statement of Claim against Teh Eng Huat and Khoo Hun Sniah in the Penang High Court (Case No.PA-22NCVC-216-11/2017).

ITCB’s claim against the defendants is for breach of a Sale and Purchase Agreement dated 18 November 2013 between ITCB and the defendants. ITCB is seeking, among others, payment of RM5,052,088.80 against the 1st Defendant and RM1,263,022.20 against the 2nd Defendant. ITCB is also seeking interests and costs against the Defendants.

There are a number of interlocutory applications filed by both parties currently pending in the Penang High Court which is at case management stage.

**14. CHANGES IN MATERIAL LITIGATION**

- c. On 27 November 2017, Zoomic Technology (M) Sdn. Bhd. ("ZTSB") filed an application to set-aside the Notice of Discontinuance dated 4 April 2017 and the Order dated 17 April 2017 in the Penang High Court Civil Suit No. PA-22NCVC-186-09/2016 between ZTSB against Teh Eng Huat ("TEH").

This suit which was previously discontinued concerns a claim by ZTSB against TEH for wrongful payment of RM3 million made from ZTSB to TEH in November 2014.

The matter is currently at case management stage at the Penang High Court.

## 15. REVIEW OF GROUP PERFORMANCE

a) Comparison with corresponding quarter in the previous year

	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>			
- Manufacturing	3,152	26,324	(23,172)
- Trading	69	37	32
- Automation	-	(323)	323
- Investment Holding	404	-	404
<b>Total</b>	<u>3,625</u>	<u>26,038</u>	(22,413)
<b>Profit/(Loss) Before Tax</b>			
- Manufacturing	(1,902)	100	(2,002)
- Trading	(64)	(885)	821
- Automation	(84)	(488)	404
- Investment Holding	(86)	(747)	661
- Others	(67)	(11)	(56)
<b>Total</b>	<u>(2,203)</u>	<u>(2,031)</u>	(172)

The Group's revenue for the current quarter had reduced by RM22.4 million or 86.1% to RM3.63 million as compared to RM26.04 million in the corresponding quarter in the previous year. The reduced of revenue in current quarter was mainly due to the manufacturing division has lost a few of its main customers during the year.

The Group recorded a loss before tax of RM2.2 million in the current quarter as compare to loss before tax of RM2.03 million in the corresponding quarter in the previous year.

The result was mainly due to losses suffered by manufacturing division where the sale has significantly dropped by RM22.41 million. This was caused by increased in raw material costs and severe reduction in sales volume. As a result, manufacturing division has suffered losses at RM1.9 million in the current quarter.

Whereas, investment holding division, recorded a revenue of RM0.4 million is mainly due to the management managed to secure a new tenant to rent the unoccupied factory in Bayan Lepas in February 2018 and part of Kulim factory in March 2018.

## b) Comparison with preceding quarter

	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>			
- Manufacturing	3,152	9,638	(6,486)
- Trading	69	-	69
- Investment Holding	404	-	404
<b>Total</b>	<u>3,625</u>	<u>9,638</u>	(6,013)
<b>Profit/(Loss) Before Tax</b>			
- Manufacturing	(1,902)	(2,818)	916
- Trading	(64)	(1,500)	1,436
- Automation	(84)	(832)	748
- Investment Holding	(86)	(3,529)	3,443
- Others	(67)	(69)	2
<b>Total</b>	<u>(2,203)</u>	<u>(8,748)</u>	6,545

The Group's revenue for the current quarter recorded a decrease of RM6 million to RM3.6 million as compared to RM9.6 million in the preceding quarter. The decrease in the Group turnover is mainly due to the Group has lost a few major customers since the previous financial year and was further caused by liquidity problems to turnaround the working capital.

The Group recorded a loss before tax of RM2.2 million in the current quarter as compare to loss before tax of RM8.75 million in the preceding quarter. The significant increase in losses in the 4<sup>th</sup> quarter is mainly due to impairment loss of property, plant and equipment of RM2.96 million, impairment loss of other investment of RM0.55 million, write down of inventories of RM0.68 million and impairment loss of receivables of RM0.2 million.

## 16. PROSPECT FOR THE FINANCIAL YEAR

Revenue for the manufacturing division is expected to improve gradually as the company is targeting to recover loss customers and securing new businesses through strategic collaboration with selected vendors. Expectation is an increasing trend of the Group's turnover.

The Group will also continue its restructuring program thru assets monetisation and assets utilisation to improve assets yields and values.

**17. PROFIT FORECAST OR PROFIT GUARANTEE**

This is not applicable to the Group as the group did not publish any profit forecast.

**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	(26)	(26)

**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	1,013	12,653	13,666
Overdraft	3,717	-	3,717
Banker acceptances	6,655	-	6,655
Hire purchase	584	1,016	1,600
<b>Unsecured</b>			
ICULS – liability component	-	245	245
<b>Total</b>	<u>11,969</u>	<u>13,914</u>	<u>25,883</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 31/03/18</b>	<b>Individual Period 3 months ended 31/03/17</b>	<b>Cumulative Period 3 months ended 31/03/18</b>	<b>Cumulative Period 3 months ended 31/03/17</b>
Loss attributable to owners of the parent (RM'000)	(2,106)	(2,112)	(2,106)	(2,112)
Weighted average number of ordinary shares in issue ('000)	141,506	134,446	141,506	134,446
Loss per share (sen)	(1.49)	(1.57)	(1.49)	(1.57)

**(b) Diluted**

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