



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED

30 JUNE 2018

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Unaudited	Audited
	As at	As at
	30/06/18	31/12/17
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,162	39,474
Investment properties	22,600	22,600
Other investment	-	-
Deferred tax assets	80	80
Total non-current assets	64,842	62,154
Current assets		
Inventories	360	1,423
Trade receivables	5,192	5,516
Other receivables	3,236	2,168
Tax recoverable	148	712
Fixed deposits placed with licensed banks	358	398
Cash and bank balances	1,369	2,546
Total current assets	10,663	12,763
Asset held for sale	-	8,800
TOTAL ASSETS	75,505	83,717
EQUITY		
Share capital	64,747	60,839
Reserves	(32,178)	(29,179)
Equity attributable to owners of the parent	32,569	31,660
Non-controlling interests	805	1,148
Total equity	33,374	32,808
LIABILITIES		
Non-current liabilities		
Loans and borrowings	5,150	13,148
Deferred tax liabilities	175	1,038
Total non-current liabilities	5,325	14,186
Current liabilities		
Trade payables	10,798	9,731
Other payables	11,990	12,509
Loans and borrowings	13,868	14,392
Provision for taxation	150	91
Total current liabilities	36,806	36,723
Total liabilities	42,131	50,909
TOTAL EQUITY AND LIABILITIES	75,505	83,717
Net assets per share (RM)	0.24	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 30 JUNE 2018

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	3 months ended 30/06/18	3 months ended 30/06/17	RM'000	%	6 months ended 30/06/18	6 months ended 30/06/17	RM'000	%
Revenue	3,196	13,814	(10,618)	-77%	6,821	39,852	(33,031)	-83%
Cost of sales	(3,268)	(14,426)	11,158	-77%	(6,620)	(39,024)	32,404	-83%
Gross (loss)/ profit	(72)	(612)	540	-88%	201	828	(627)	-76%
Other income	1,531	20	1,511	7555%	1,750	154	1,596	1036%
Distribution expenses	(151)	(852)	701	-82%	(357)	(2,064)	1,707	-83%
Administrative expenses	(2,226)	(2,263)	37	-2%	(4,271)	(4,203)	(68)	2%
Loss from operation	(918)	(3,707)	2,789	-75%	(2,677)	(5,285)	2,608	-49%
Finance income	10	17	(7)	-41%	10	48	(38)	-79%
Finance costs	(599)	(677)	78	-12%	(1,017)	(1,162)	145	-12%
Net finance cost	(589)	(660)	71	-11%	(1,007)	(1,114)	107	-10%
Loss before tax	(1,507)	(4,367)	2,860	-65%	(3,684)	(6,399)	2,715	-42%
Taxation	273	(16)	289	-1806%	247	(33)	280	-848%
Loss for the period	(1,234)	(4,383)	3,149	-72%	(3,437)	(6,432)	2,995	-47%
Items that are or may be classified subsequently to profit or loss								
Revaluation of Property, plant and equipment	3,931	-	3,931	100%	3,931	-	3,931	100%
Exchange translation differences for foreign operations	6	(44)	50	-114%	6	(44)	50	-114%
Total comprehensive income/ (Loss) for the period	2,703	(4,427)	7,130	-161%	500	(6,476)	6,976	-108%
Loss for the period attributable to:								
Owners of the parent	(988)	(4,275)	3,287	-77%	(3,094)	(6,388)	3,294	-52%
Non-controlling interests	(246)	(108)	(138)	128%	(343)	(44)	(299)	680%
Total comprehensive income/ (loss) attributable to:	(1,234)	(4,383)	3,149	-72%	(3,437)	(6,432)	2,995	-47%
Total comprehensive income/ (loss) attributable to:								
Owners of the parent	2,949	(4,319)	7,268	-168%	843	(6,432)	7,275	-113%
Non-controlling interests	(246)	(108)	(138)	128%	(343)	(44)	(299)	680%
	2,703	(4,427)	7,130	-161%	500	(6,476)	6,976	-108%
Loss per share								
Basic loss per share (sen)	(0.70)	(3.18)	2	-78%	(2.19)	(4.75)	3	-54%
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 2017.

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Attributable to owners of the parent							Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable									
	Share capital RM'000	Equity components of ICULS RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation Reserve RM'000	Foreign currency translation reserve RM'000	Accumulated losses 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	-	-	-	-	-	-	(3,094)	(3,094)	(343)	(3,437)
Other comprehensive income										
-Foreign exchange translation reserve	-	-	-	-	-	6	-	6	-	6
- Revaluation of Property, plant and equip	-	-	-	-	3,931	-	-	3,931	-	3,931
Transactions with owners:										
Conversion of ICULS	3,908	(3,842)	-	-	-	-	-	66	-	66
At 30 June 2018	64,747	15,358	-	9,960	3,931	357	(61,784)	32,569	805	33,374
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

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 30 JUNE 2018

	Current Year To Date 30/06/2018 RM'000	Corresponding Year To Date 31/12/17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(3,684)	(16,211)
Adjustments for:		
Depreciation of property, plant and equipment	1,292	3,534
Gain on disposal of property, plant and equipment	(247)	(1)
Fair value gain of investment properties		
Impairment loss on:		
- Property, plant and equipment	-	2,957
- Trade receivables	-	138
- Other receivables	-	72
- Other investments	-	549
Finance cost	1,017	1,726
Finance income	(10)	(111)
Waiver of debt	-	(3,337)
Inventories written down	-	685
Unrealised loss/gain on forex exchange	-	228
Operating loss before changes in working capital	<u>(1,632)</u>	<u>(9,771)</u>
Changes in working capital:		
Receivables	(744)	29,970
Inventories	1,063	4,837
Payables	47	(14,260)
Cash (used in)/ generated from operations	<u>(1,266)</u>	<u>10,776</u>
Interest paid	(1,017)	(1,726)
Tax (paid)/ refund	486	227
Net cash (used in)/ generated from operating activities	<u>(1,797)</u>	<u>9,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of pledged fixed deposits	40	2,515
Placement of pledged fixed deposits	-	-
Interest received	10	111
Proceeds from disposal of property, plant and equipment	9,205	33
Acquisition of property, plant and equipment	-	(11)
Net cash generated from investing activities	<u>9,255</u>	<u>2,648</u>
Balance carried forward	<u>7,458</u>	<u>11,925</u>

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	7,458	11,925
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from bankers acceptance	(237)	(10,936)
Proceeds from rights issue on ICULS	66	-
Payment of finance lease liabilities	(260)	(779)
Repayment of term loans	(8,464)	(1,351)
Net cash used in financing activities	(8,895)	(13,066)
Effects of exchange translation differences on cash and cash equivalents	6	(45)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,431)	(1,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(1,846)	(660)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(3,277)	(1,846)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period comprise:		
Fixed deposits with licensed bank	358	398
Cash and bank balances	1,369	2,546
Bank overdrafts	(4,646)	(4,392)
	(2,919)	(1,448)
Less: Fixed deposit pledged with licensed banks	(358)	(398)
	(3,277)	(1,846)

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 30 JUNE 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:

		Effective dates for financial periods beginning on or after
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 quarter under review except the conversion of 30,541,696 units of five (5) Years 1% Irredeemable Convertible Unsecured Loan Stocks ("ICUL") of nominal value of RM0.075 each to 3,817,712 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	Others	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	6,057	142	-	622	-	6,821
Inter-segment revenue	635	-	-	-	(635)	-
Segment revenue	<u>6,691</u>	<u>142</u>	<u>-</u>	<u>622</u>	<u>635</u>	<u>6,821</u>
Results						
Operating Profit(loss)	(3,521)	19	541	294	-	(2,677)
Net finance cost	(821)	-	(27)	(169)	-	(1,017)
Income tax expense	304	(25)	(31)	(1)	-	247
Profit/(Loss) after tax	<u>(4,038)</u>	<u>(6)</u>	<u>483</u>	<u>124</u>	<u>-</u>	<u>(3,437)</u>

Revenue from Investment Holding segment is principally rental income collected from an investment property. The revenue from the Trading segment comprises income from calibrating and testing of equipment and general products.

The Operating Profit from the OTHERS segment is mainly derived from de recognition of a un- verifiable liability due to a former director of a subsidiary.

10. SIGNIFICANT EVENTS DURING THE CURRENT QUARTER

In the press release dated 7th June 2016, it was announced that Ire-Tex Packaging Sdn Bhd, a subsidiary of the Company, was awarded the Feed-in-Tariff permit to produce electricity to supply to Distribution Licensee in Malaysia.

On 26th June 2018, the Energy Commission cancelled the Feed-in-Tariff (“FIT”) approval granted to Ire-Tex Packaging Sdn Bhd, because the subsidiary is unable to meet the conditions precedent by the deadline on 29th December 2016.

There were no other 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 PROPERTY, PLANT AND EQUIPMENT

The Group has carried out a valuation exercise on the Property, Plant and Equipment (“PPE”) during the quarter ended 30 June 2018. The revaluation is conducted by VPC Alliance (Pg) Sdn. Bhd., to comply with the requirements of the Malaysian Reporting Standards (“MFRS”) in respect of the fair value measurement of PPE and also to ascertain the carrying value of PPE of the Group for impairment purposes. This revaluation is in compliance with MFRS 116: Property, Plant and Equipment.

Revaluation Surplus

Types of PPE	Net Book Value as at 30 June 2018 RM’000	Market Value as at 30 June 2018 RM’000	Surplus, net of deferred tax RM’000
A leasehold land with 1 Storey Factory and 1 Storey Office Building erected thereon registered in the name of IRE-TEX PACKAGING SDN BHD.	28,861	33,000	3,931

Effect on Net Asset Per Share

Based on 2nd quarter financial report for the financial year ended 30 June 2018, the net assets per share of the Group will be increased by RM0.03 sen to RM0.23 upon incorporation of the Revaluation surplus, net of deferred tax.

Description	Before the Revaluation	Net effect of the Revaluation	After the Revaluation
Equity Attributable to the Owners of the Company (RM’000)	28,638	3,931	32,569
No of Shares (‘000)	141,389	141,389	141,389
Net Assets per share (RM)	0.20	0.03	0.23

* Revaluation surplus is net of deferred tax

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.

Subsequent to June 2018, ZT re negotiated with SS to repay the judgement sum through an instalment plan. ZT is also seeking an independent valuation of the transformer to determine a fair valuation of compensation to SS.

- 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.

- 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 under negotiation for settlement out of court.

15. REVIEW OF GROUP PERFORMANCE

a) Comparison with corresponding quarter in the previous year

	Q2 2018	Q2 2017	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	2,905	13,772	(10,867)
- Trading	73	40	33
- Investment Holding	218	-	218
- Others	-	5	(5)
Total	<u>3,196</u>	<u>13,817</u>	<u>(10,621)</u>
Profit/(Loss) Before Tax			
- Manufacturing	(2,453)	(2,581)	128
- Trading	85	(1,040)	1,125
- Investment Holding	199	(567)	766
- Others	662	(180)	842
Total	<u>(1,507)</u>	<u>(4,368)</u>	<u>2,861</u>

The Group's revenue for the current quarter had reduced by RM10.62 million or 76.87% to RM3.19 million as compared to RM13.82 million in the corresponding quarter in the previous year. The reduction of revenue in current quarter was mainly due to the manufacturing division losing one of its major customer during preceding quarters and also slow orders call up by other major customers.

The Group has managed to reduce its loss before tax to RM1.51 million in the current quarter as compare to loss before tax of RM4.37 million in the corresponding quarter in the previous year.

Profitability in the trading segment and rental income collections from investment property help to cut losses in Q2. Cost is also reduced through cost savings programme initiated since end of preceding quarter.

During the reporting quarter, the management managed to secure a tenant to rent a portion of Kulim plant idle space.

15. REVIEW OF GROUP PERFORMANCE (continued)

b) Comparison with preceding quarter

	Q2 2018 RM'000	Q1 2018 RM'000	Variance RM'000
Revenue			
- Manufacturing	2,905	3,152	(247)
- Trading	73	69	4
- Investment Holding	218	404	(186)
- Others	-	-	-
Total	<u>3,196</u>	<u>3,625</u>	(429)
Loss Before Tax			
- Manufacturing	(2,453)	(1,889)	(564)
- Trading	85	(66)	151
- Investment Holding	199	(74)	273
- Others	662	(148)	810
Total	<u>(1,507)</u>	<u>(2,177)</u>	670

The Group's revenue for the current quarter recorded a decrease of RM0.43 million to RM3.19 million as compared to RM3.63 million in the preceding quarter. The decrease in the Group turnover is mainly due to slow order call up by major customers.

The Group recorded a loss before tax of RM1.51 million in the current quarter as compare to loss before tax of RM2.18 million in the preceding quarter. The decrease in losses in current quarter is mainly due to cost savings arising from cost cutting programmes initiated during the later days of Q1 and over recognition of sales incentive in prior periods.

16. PROSPECT FOR THE FINANCIAL YEAR

Steps are being taken in the manufacturing division to maintain existing major customers, to recover lost customers and securing new businesses through strategic collaboration with selected vendors.

The Group will also continue its restructuring program through 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

	Current Quarter RM'000	Current Year To- date RM'000
Taxation based on results for the quarter:		
Current financial period	111	137
Deferred tax provision	(384)	(384)
	<u>(273)</u>	<u>(247)</u>

19. 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	1,275	4,304	5,579
Overdraft	4,646	-	4,646
Banker acceptances	6,803	-	6,803
Hire purchase	628	846	1,474
Unsecured			
ICULS – liability component	516		516
Total	<u>13,868</u>	<u>5,150</u>	<u>19,018</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**

	Individual Period 3 months ended 30/06/18	Individual Period 3 months ended 30/06/17	Cumulative Period 6 months ended 30/06/18	Cumulative Period 6 months ended 30/06/17
Loss attributable to owners of the parent (RM'000)	(988)	(4,275)	(3,094)	(6,388)
Weighted average number of ordinary shares in issue ('000)	141,389	134,446	141,389	134,446
Loss per share (sen)	(0.70)	(3.18)	(2.19)	(4.75)

(b) Diluted

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