



IRE-TEX CORPORATION BERHAD

(576121 - A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED

31 DECEMBER 2018

IRE-TEX CORPORATION BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Unaudited	Audited
	As at	As at
	31/12/18	31/12/17
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	41,302	39,474
Investment properties	22,600	22,600
Other investment	-	-
Deferred tax assets	80	80
Total non-current assets	<u>63,982</u>	<u>62,154</u>
Current assets		
Inventories	30	1,423
Trade receivables	2,628	5,516
Other receivables	1,229	2,168
Tax recoverable	34	712
Fixed deposits placed with licensed banks	100	398
Cash and bank balances	535	2,546
Total current assets	<u>4,556</u>	<u>12,763</u>
Asset held for sale	-	8,800
TOTAL ASSETS	<u>68,538</u>	<u>83,717</u>
EQUITY		
Share capital	64,755	60,839
Reserves	(30,764)	(29,179)
Equity attributable to owners of the parent	<u>33,991</u>	<u>31,660</u>
Non-controlling interests	2,702	1,148
Total equity	<u>36,693</u>	<u>32,808</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	5,288	13,148
Deferred tax liabilities	207	1,038
Total non-current liabilities	<u>5,495</u>	<u>14,186</u>
Current liabilities		
Trade payables	7,201	9,731
Other payables	5,955	12,509
Loans and borrowings	13,097	14,392
Provision for taxation	97	91
Total current liabilities	<u>26,350</u>	<u>36,723</u>
Total liabilities	<u>31,845</u>	<u>50,909</u>
TOTAL EQUITY AND LIABILITIES	<u>68,538</u>	<u>83,717</u>
Net assets per share (RM)	0.26	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 DECEMBER 2018**

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	3 months ended 31/12/18	3 months ended 31/12/17	RM'000	%	12 months ended 31/12/18	12 months ended 31/12/17	RM'000	%
Revenue	2,121	9,638	(7,517)	-78%	12,590	58,580	(45,990)	-79%
Cost of sales	(2,125)	(9,292)	7,167	-77%	(11,646)	(56,548)	44,902	-79%
Gross profit	(4)	346	(350)	-101%	944	2,032	(1,088)	-54%
Other income	8,333	784	7,549	963%	9,864	969	8,895	918%
Gain on disposal of former subsidiary	5,438	-	-	100%	5,438	-	5,438	100%
Distribution expenses	(12)	(290)	278	-96%	(477)	(2,991)	2,514	-84%
Administrative expenses	(11,615)	(8,897)	(2,718)	31%	(16,779)	(14,935)	(1,844)	12%
Profit/(Loss) from operation	2,140	(8,057)	10,197	-127%	(1,010)	(14,925)	13,915	-93%
Finance income	-	-	-	0%	10	-	10	100%
Finance costs	(348)	(691)	343	-50%	(1,695)	(2,174)	479	-22%
Net finance cost	(348)	(691)	343	-50%	(1,685)	(2,174)	489	-22%
Profit/(Loss) before tax	1,792	(8,748)	10,540	-120%	(2,695)	(17,099)	14,404	-84%
Taxation	(114)	(115)	1	-1%	854	(165)	1,019	-618%
Profit/(Loss) for the period	1,678	(8,863)	10,541	-119%	(1,841)	(17,264)	15,423	-89%
Items that are or may be classified subsequently to profit or loss								
Revaluation of Property, plant and equipment	-	-	-	0%	3,931	-	3,931	100%
Exchange translation differences for foreign operations	-	(18)	18	-100%	6	(18)	24	100%
Total comprehensive gain/(loss) for the period	1,678	(8,881)	10,559	-119%	2,096	(17,282)	19,378	-112%
Gain/(Loss) for the period attributable to:								
Owners of the parent	1,597	(8,894)	10,491	-118%	(1,672)	(17,257)	15,585	-90%
Non-controlling interests	81	31	50	161%	(169)	(7)	(162)	2314%
Total comprehensive income/(loss) attributable to:	1,678	(8,863)	10,541	-119%	(1,841)	(17,264)	15,423	-89%
Gain/(Loss) for the period attributable to:								
Owners of the parent	1,597	(8,912)	10,509	-118%	2,265	(17,275)	19,540	-113%
Non-controlling interests	81	31	50	161%	(169)	(7)	(162)	2314%
Gain/(Loss) per share	1.11	(6.44)	8	-117%	(1.17)	(12.49)	11	-91%
Basic loss per share (sen)	1.11	(6.44)	8	-117%	(1.17)	(12.49)	11	-91%
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
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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	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	-	-	-	-	-	-	(1,672)	(1,672)	(169)	(1,841)
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	3,916	(3,850)	-	-	-	-	-	66	-	66
NCI derecognised on disposal of former subsidiaries								-	1,723	1,723
At 31 December 2018	<u>64,755</u>	<u>15,350</u>	<u>-</u>	<u>9,960</u>	<u>3,931</u>	<u>357</u>	<u>(60,362)</u>	<u>33,991</u>	<u>2,702</u>	<u>36,693</u>
At 1 January 2017	53,698	20,803	5,438	9,960	-	369	(42,547)	47,721	1,294	49,015
Loss for the financial period	-	-	-	-	-	-	(16,143)	(16,143)	(146)	(16,289)
Other comprehensive income										
-Foreign exchange translation reserve	-	-	-	-	-	(18)	-	(18)	-	(18)
Transactions with owners:										
Conversion of ICULS	1,560	(1,603)	143	-	-	-	-	100	-	100
Transfer to share capital pursuant to Companies Act 2016	5,581		(5,581)							
At 31 December 2017	<u>60,839</u>	<u>19,200</u>	<u>-</u>	<u>9,960</u>	<u>-</u>	<u>351</u>	<u>(58,690)</u>	<u>31,660</u>	<u>1,148</u>	<u>32,808</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 DECEMBER 2018

	Current Year To Date 31/12/18 RM'000	Corresponding Year To Date 31/12/17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(2,695)	(16,211)
Adjustments for:		
Depreciation of property, plant and equipment	2,506	3,534
Gain on disposal of property, plant and equipment	(189)	(1)
Gain on disposal of former subsidiaries	(5,438)	-
Impairment loss on:		
- Property, plant and equipment	-	2,957
- Trade receivables	-	138
- Other receivables	-	72
- Other investments	-	549
Finance cost	1,695	1,726
Finance income	(10)	(111)
Property plant and equipment written off	94	-
Waiver of debt	-	(3,337)
Inventories written down	-	685
Unrealised loss/gain on forex exchange	-	228
Operating loss before changes in working capital	<u>(4,037)</u>	<u>(9,771)</u>
Changes in working capital:		
Receivables	9,265	29,970
Inventories	1,393	4,837
Payables	(7,228)	(14,260)
Cash (used in)/ generated from operations	<u>(607)</u>	<u>10,776</u>
Interest paid	(1,695)	(1,726)
Tax refund	501	227
Net cash (used in)/ generated from operating activities	<u>(1,801)</u>	<u>9,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of pledged fixed deposits	298	2,515
Interest received	10	111
Proceeds from disposal of a former subsidiaries	-	-
Proceeds from disposal of property, plant and equipment	9,280	33
Acquisition of property, plant and equipment	(581)	(11)
Net cash generated from investing activities	<u>9,007</u>	<u>2,648</u>
Balance carried forward	<u>7,206</u>	<u>11,925</u>

	Current Year To Date RM'000	Corresponding Year To Date RM'000
Balance brought forward	7,206	11,925
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from bankers acceptance	63	(10,936)
Proceeds from rights issue on ICULS	66	-
Payment of finance lease liabilities	(455)	(779)
Repayment of term loans	(8,794)	(1,351)
Net cash used in financing activities	(9,120)	(13,066)
Effects of exchange translation differences on cash and cash equivalents	6	(45)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,908)	(1,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(1,846)	(660)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(3,754)	(1,846)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period comprise:		
Fixed deposits with licensed bank	100	398
Cash and bank balances	535	2,546
Bank overdrafts	(4,289)	(4,392)
	(3,654)	(1,448)
Less: Fixed deposit pledged with licensed banks	(100)	(398)
	(3,754)	(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 31 DECEMBER 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 were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial year-to-date except for the revaluation of its properties undertaken by the Group. The revaluation was carried out by an independent professional valuer on 30 June 2018. Revaluation surplus of RM3.93 million has been recognised in other comprehensive income and accumulated in equity under the revaluation reserve.

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.

8. DIVIDEND PAID

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

9. SEGMENTAL INFORMATION

The segmental information for the 12 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	11,279	274	-	1,037	-	12,590
Inter-segment revenue	346	-	-	-	(346)	-
Segment revenue	11,625	274	-	1,037	(346)	12,590
Results						
Operating (loss)/profit	(6,172)	75	464	4,634	-	(999)
Net finance cost	(1,432)	-	(66)	(197)	-	(1,695)
Income tax expense	585	(3)	(31)	302	-	853
(Loss)/Profit after tax	(7,019)	72	367	4,739	-	(1,841)

The principal customer in the manufacturing division is profitable except the division is not operating at a capacity to cover all its fixed cost. 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 liability.

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

A valuation of property, plant and equipment was carried out on 30 June 2018 as disclosed in Note 5 above.

11. CHANGES IN COMPOSITION OF THE COMPANY

During the period under review, the following dormant subsidiaries were disposed of.

- i. 2 ordinary shares, representing 100% of the entire issued and paid up capital of Ire-Tex Renewable Energy Sdn Bhd,
- ii. 700,000 ordinary shares, representing 100% of the entire issued and paid up capital of GH Packaging Sdn Bhd,
- iii. 2 ordinary shares, representing 100% of the entire issued and paid up capital of Green Energy Storage And Solutions Sdn Bhd,
- iv. 600,000 ordinary shares, representing 100% of the entire issued and paid up capital of Ire-Tex Electronics Sdn Bhd,
- v. 500,000 ordinary shares, representing 100% of the entire issued and paid up capital of Ire-Tex Distributions Sdn Bhd,
- vi. 275,000 ordinary shares, representing 55% of the entire issued and paid up capital of TFH Corporate Sdn Bhd,
- vii. 3,500,700 ordinary shares, representing 50.01% of the entire issued and paid up capital of Syrotex (Asia Pacific) Sdn Bhd,
- viii. 200,000 ordinary shares, representing 100% of the entire issued and paid up capital of Ire-Tex (KL) Sdn Bhd.

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

- 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.

Zoomic Technology (M) Sdn Bhd (“ZT”) has entered into a settlement agreement with Stoppani Systems Sdn Bhd (“SS”) to pay SS RM300,000.00 for the ownership of the transformer. This payment is to be made over five instalments commencing from 30th November 2018.

- 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.

14. SIGNIFICANT EVENTS DURING THE CURRENT QUARTER

On 27th December 2018, IRE-TEX (JOHOR) SDN BHD, has entered into a Sales & Purchase Agreement to dispose of two pieces of leasehold properties in KEMPAS, JOHOR for a sales consideration of RM 4,600,000.00.

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.

15. EVENTS SUBSEQUENT TO THE END OF THE QUARTER

- a) On 4th January 2019, the Company entered into a Share Sale Agreement to dispose 5% equity interest in a subsidiary, IRE-TEX(JOHOR) SDN BHD for a total consideration of RM150,000.00 (Ringgit Malaysia One Hundred and Fifty Thousand Only)
- b) A principal subsidiary, IRE-TEX (MALAYSIA) SDN BHD, has carried out a Voluntary Separation Scheme for all its production and production support workforce and all accepted the offer.

16. REVIEW OF GROUP PERFORMANCE

- a) Comparison with corresponding quarter in the previous year

	Q4 2018 RM'000	Q4 2017 RM'000	Variance RM'000
Revenue			
- Manufacturing	1,847	9,638	(7,791)
- Trading	59	-	59
- Investment Holding	215	-	215
- Others	-	-	-
Total	<u>2,121</u>	<u>9,638</u>	(7,517)
Profit/(Loss) Before Tax			
- Manufacturing	(2,822)	(2,818)	(4)
- Trading	26	(1,500)	1,526
- Investment Holding	4,642	(3,529)	8,171
- Others	(54)	(901)	847
Total	<u>1,792</u>	<u>(8,748)</u>	10,540

The Group's revenue for the current quarter had decreased by RM7.52 million or 77.9% to RM2.12 million as compared to RM9.64 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 customers during preceding quarters and also slow orders call up by other major customers.

The Group recorded a profit before tax of RM1.79 million in the current quarter as compare to loss before tax of RM8.75 million in the corresponding quarter in the previous year.

The increase is mainly from the gain from disposal of former subsidiary amounted to RM5.43 million during the financial period. Gain from the disposal of former subsidiaries Cost is also reduced through cost savings programme initiated since end of preceding quarter.

16. REVIEW OF GROUP PERFORMANCE (continued)

b) Comparison with preceding quarter

	Q4 2018	Q3 2018	Variance
	RM'000	RM'000	RM'000
Revenue			
- Manufacturing	1,847	3,375	(1,528)
- Trading	59	73	(14)
- Investment Holding	215	200	15
- Others	-	-	-
Total	<u>2,121</u>	<u>3,648</u>	(1,527)
Profit/(Loss) Before Tax			
- Manufacturing	(2,822)	(441)	(2,381)
- Trading	26	30	(4)
- Investment Holding	4,642	(330)	4,972
- Others	(54)	(62)	8
Total	<u>1,792</u>	<u>(803)</u>	2,595

The Group's revenue for the current quarter recorded an loss of RM1.53 million to RM2.12 million as compared to RM3.64 million in the preceding quarter.

The manufacturing division loss before tax is reduced because of the change in the customer mix with higher proportion of sales coming from the existing main customer.

17. PROSPECT FOR THE FINANCIAL YEAR

The Group principal subsidiary, IRE-TEX (MALAYSIA) SDN BHD, has scaled down its production to develop new business stream. The Group will continue to derive its revenue of rental collections from letting out its factory premises in Kulim and BAYAN LEPAS and revenue from the business activity of its two subsidiaries, JUMBO UNIVERSE SDN BHD and CAL-TEST LABORATORY SDN BHD.

18. PROFIT FORECAST OR PROFIT GUARANTEE

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

19. TAXATION

	Current Quarter RM'000	Current Year To- date RM'000
Taxation based on results for the quarter:		
Current financial period	114	184
Deferred tax provision	-	(1,038)
	<u>114</u>	<u>(854)</u>

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	610	4,639	5,249
Overdraft	4,289	-	4,289
Banker acceptances	7,104	-	7,104
Hire purchase	629	649	1,278
Unsecured			
ICULS – liability component	465	-	465
Total	<u>13,097</u>	<u>5,288</u>	<u>18,385</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 3 months ended 31/12/18	Individual Period 3 months ended 31/12/17	Cumulative Period 12 months ended 31/12/18	Cumulative Period 12 months ended 31/12/17
Loss attributable to owners of the parent (RM'000)	1,597	(8,894)	(1,672)	(17,257)
Weighted average number of ordinary shares in issue ('000)	143,374	138,142	143,374	138,142
Loss per share (sen)	1.11	(6.44)	(1.17)	(12.49)

(b) Diluted

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