

IRM GROUP BERHAD (628000-T)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the 1ST QUARTER ended 31 MARCH 2013

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report are unaudited and have been prepared in compliance with MFRS 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012. These explanatory 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 position and performance of the Group since the year ended 31 December 2012.

The financial statements of the Group are prepared on the historical cost basis except as disclosed in the notes to this statement and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standard.

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards for the first time in these condensed interim financial statements. The transition to the MFRS framework does not have any material financial impact to the financial statements of the Group.

A2a Changes in Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with FRS. Except for certain differences, the requirements for FRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the following MFRSs, amendments to MFRSs and Issues Committee (IC) Interpretation which are relevant to the Group's operation with effect from 1 January 2013:

| | |
|-------------------------|--|
| Revised MFRS 124: | Related Party Disclosures |
| Amendments to MFRS 112: | Income Taxes |
| Amendments to MFRS 1: | First time Adoption on a Fixed Dates and Hyperinflation |
| Amendments to MFRS 7: | Financial Instruments: Disclosures on Transfer of Financial Assets |

The adoption of the above standards and interpretations are not expected to have any significant impact on the financial statements of the Group in the year of initial application.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

| | | Effective for Financial period beginning on or after |
|------------------------|---|--|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) | 1-Jan-15 |
| MFRS 10 | Consolidated Financial Statements | 1-Jan-13 |
| MFRS 11 | Joint Arrangements | 1-Jan-13 |
| MFRS 12 | Disclosures of Interest in Other Entities | 1-Jan-13 |
| MFRS 13 | Fair Value Measurement | 1-Jan-13 |
| MFRS 119 | Employee Benefits (as amended in June 2011) | 1-Jan-13 |
| MFRS 127 | Separate Financial Statements (as amended by IASB in May 2011) | 1-Jan-13 |
| MFRS 128 | Investments in Associates and Joint Ventures (as amended by IASB in May 2011) | 1-Jan-13 |
| Amendments to MFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities | 1-Jan-13 |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income | 1-Jul-12 |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities | 1-Jan-14 |
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | 1-Jan-13 |

A2b

Comparatives

The are no comparative amounts to be restated due to the adoption of new and revised MFRSs.

A2c

Audit report of preceding annual financial statements

The preceding year annual audited financial statements were not subject to any qualification.

A3

Seasonal or cyclical factors

The Group's operations were not materially affected by seasonal or cyclical changes during the quarter under review except for fluctuations in petrochemical price differentials for the Vinyl industry.

A4

Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements except as disclosed in NOTE A 2a and A 2b. On the other hand due to financial constraint the Group is not able to carry on production to its normal capacity which resulted in significant lower contribution and higher overhead cost per ton.

A5

Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial quarter.

A6

Debt and equity securities

Proposed repurchase of the Company's shares

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7

Dividend paid

No dividend has been paid in the current financial quarter.

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A8

Segment information

The Group's operation comprises 3 different business segments from 3 operating units:

- (a) Manufacture of PVC Resins and Compounds (Raw Materials for downstream fabrication applications)
- (b) Manufacture of downstream fabricated applications (PVC Pipes and Calendered/Wood Composite Products)
- (c) Renewable Energy Operations (produce electric power via solar farm and biomass power plant)

| OPERATING UNITS' BUSINESS | Current 1st Quarter | | Preceding 1st Quarter | |
|--|---------------------|-----------------|-----------------------|-----------------|
| | Profit/(Loss) after | | Profit/(Loss) after | |
| | <u>Revenue</u> | <u>taxation</u> | <u>Revenue</u> | <u>taxation</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Renewable Energy - Solar farm & Biomass power plant | - | - | - | - |
| PVC Resins and Compounds | 5,897 | (3,681) | 36,605 | (946) |
| Downstream Fabricated Applications - Pipes & Calendaring # | 928 | (207) | 608 | 1 |
| | <u>6,825</u> | <u>(3,888)</u> | <u>37,213</u> | <u>(945)</u> |
| less: Inter-Segment Sales | (295) | - | (166) | - |
| add: Holding Company | - | (144) | - | (110) |
| add: Goodwills / Assets Diminution / Interco debt | - | - | - | - |
| Total | 6,530 | (4,032) | 37,047 | (1,055) |

| OPERATING UNITS' BUSINESS | Cummulative Current 1st Quarter | | Cummulative Preceding 1st Quarter | |
|--|---------------------------------|-----------------|-----------------------------------|-----------------|
| | Profit/(Loss) after | | Profit/(Loss) after | |
| | <u>Revenue</u> | <u>taxation</u> | <u>Revenue</u> | <u>taxation</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Renewable Energy - Solar farm & Biomass power plant | - | - | - | - |
| PVC Resins and Compounds | 5,897 | (3,681) | 36,605 | (946) |
| Downstream Fabricated Applications - Pipes & Calendaring # | 928 | (207) | 608 | 1 |
| | <u>6,825</u> | <u>(3,888)</u> | <u>37,213</u> | <u>(945)</u> |
| less: Inter-Segment Sales | (295) | - | (166) | - |
| add: Holding Company | - | (144) | - | (110) |
| add: Goodwills / Assets Diminution | - | - | - | - |
| Total | 6,530 | (4,032) | 37,047 | (1,055) |

| SEGMENT ASSETS & LIABILITIES | Current 1st Quarter | | Preceding 1st Quarter | |
|--|---------------------|--------------------|-----------------------|--------------------|
| | @ 31 MAR 2013 | | @ 31 MAR 2012 | |
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Renewable Energy - Solar farm & Biomass power plant | 4,642 | 2,103 | 973 | 376 |
| PVC Resins and Compounds | 98,380 | 64,327 | 118,659 | 69,098 |
| Downstream Fabricated Applications - Pipes & Calendaring # | 6,326 | 10,887 | 4,822 | 8,568 |
| | <u>109,348</u> | <u>77,317</u> | <u>124,454</u> | <u>78,042</u> |
| less: Unallocated / Consolidation adjustments | (15,315) | (12,166) | (9,617) | (8,350) |
| Total | 94,033 | 65,151 | 114,837 | 69,692 |

No segmental information by geographical location is provided as the Group operates predominantly in Malaysia.

NOTE: # Liabilities of Downstream Fabrication Applications are intercompany debts.

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A9

Valuation of property, plant and equipment

The property, plant and equipment of the Group are stated at cost/valuation less accumulated depreciation. The valuation of the property, plant and equipment (for land and buildings) have been brought forward without amendment from the previous audited financial statements for the year ended 31 December 2012.

However, the market value for property plant and equipment (for land and buildings) for GRN NOS 37838 & 29462 under LOT NOS 2064 & 2065, Mukim of Tebrau, District of Johor Bahru, State of Johor located at 78 Jalan Hasil, Off Jalan Tampoi, 81200 Johor Bahru, Johor Darul Takzim has been revalued to RM32.790 (from RM28.120 million) by a firm of registered professional valuer IRHAMY & CO in a Valuation Report dated 28 September 2012 and the surplus of RM4.670 million incorporated into the books of the company as at 30 September 2012.

A10

Material events subsequent to the end of the quarter

The financial constraint experienced in the 4th Quarter 2012 and 1st Quarter 2013 persisted and will have significant negative impact in the 2nd Quarter 2013. As a result the Group will underperform in volume in 2nd Quarter 2013. The Group is in the midst of restructuring its bank borrowings and pursue effort of raising capital and reducing cost.

A11

Changes in the composition of the Group

There were no changes in the composition of the Group reported in the previous audited financial statement that will have effect in the current financial quarter under review.

The paid up capital of a wholly owned subsidiary IRM COMPOSITE SDN BHD was increased by RM1.903 million by issues of shares to IRMGB to offset the amount owing to the holding company.

However, in the 1st Quarter 2013 the paid up capital of a wholly owned subsidiary IRM SOLAR SDN BHD was increased to RM 4.013 million by issues of shares to IRMGB to offset the amount owing to the holding company.

A12

Contingent liabilities

The contingent liabilities of the Group comprising bank guarantees which are mainly for utilities suppliers, ports, customs and excise, for the subsidiaries was approximately RM 0.973 million.

The gross banking facilities is approximately RM56 million (including Term Loan) and RM 1 million for 2 different subsidiaries. The company has given corporate guarantee for all the banking facilities.

A13

Capital commitments

There were no capital commitments as at the date of this announcement save as follows. A subsidiary IRM Solar Sdn Bhd has issued conditional offers for supplies of plant and equipment for the Solar farm project. The full commitment is subject to a final conclusion of the project loan facility granted by Malaysian Debt Venture Sdn Bhd.

A14

Significant related party transactions

There were no significant related party transactions as at the date of this announcement.

A15

Cash and cash equivalents

| | @31-03-13 | @31-12-12 |
|--|-----------|-----------|
| | RM('000) | RM('000) |
| Cash and cash equivalent comprise of: | | |
| Cash and Bank balances | 125 | 1,319 |
| Deposits with licensed banks | 417 | 414 |
| Overdraft (in Bank Borrowings) | (2,250) | (1,869) |
| | (1,708) | (136) |
| A16 Cash and Bank Balance classified as held for Sale | - | - |
| Fixed Deposits with Banks classified as held for Sale | - | - |
| | (1,708) | (136) |

Inventories

There were no further write down or allowances made for slow moving or obsolete inventories during the period under review.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of performance

| | CORRESPONDING PRECEDING YEAR QUARTER ended 31-Mar-12 RM' 000 | CURRENT YEAR QUARTER ended 31-Mar-13 RM' 000 | CHANGES RM' 000 |
|--|---|---|---------------------------------|
| Revenue - Continued Operations | 37,047 | 6,530 | (30,517) |
| Consolidated Profit/(Loss) Before Tax | (1,055) | (4,032) | (2,977) |
| less: Taxation | - | - | - |
| Consolidated Profit/(Loss) After Tax | | | |
| Continuing Operations | (1,055) | (4,032) | (2,977) |
| Discontinued Operations / Disposal Group | - | - | - |
| Minority Interest (MI) | - | - | - |
| Net Profit/(Loss) After MI | (1,055) | (4,032) | (2,977) |
| RESINS & COMPOUNDS VOLUME (MTS) | 10,592 | 1,710 | (8,882) |
| AVERAGE UNIT PRICES (RM / MT) | 3.50 | 3.82 | 0.32 |

Current 1st Q Revenue at RM 6.530 Million is very much lower than the corresponding Q1 of the preceding year. This is due to a decrease in total volume of production which is constrained by trade facility. Although average PVC resins price were higher but the unit contribution was lower. Average compound prices and unit contribution margin were higher. Overall, there is insufficient volume both from resins and Compound to generate enough contribution to recover our operating and administration overhead and financial cost.

Detailed Segment Analysis:

| | Current 1st Quarter | | Cummulative Quarter | |
|------------------------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|
| | Revenue | Profit/Loss after Tax | Revenue | Profit/Loss after Tax |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Renewable Energy Operations | - | - | - | - |
| PVC Resins & Compounds | 5,897 | (3,681) | 5,897 | (3,681) |
| Downstream Fabricated Applications | 928 | (207) | 928 | (207) |
| TOTAL | 6,825 | (3,888) | 6,825 | (3,888) |
| less: Intersegment Sales | (295) | | (295) | |
| | 6,530 | | 6,530 | |

PVC Resins and Compounds Lower contribution from PVC mainly due to lower VCM/PVC differential. Compounds experience higher contribution and selling price but limited by volume.

Downstream Fabricated Applications make small losses due to limited volume.

The **Renewable Energy** segment is still under development.

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B2 Variation of results against immediate preceding quarter

Explanations of comparative figures for the current Quarter and the immediate preceding Quarter are as follows:

| | IMMEDIATE PRECEDING QUARTER ended 31-Dec-12 RM' 000 | CURRENT QUARTER ended 31-Mar-13 RM' 000 | CHANGES RM' 000 |
|--|--|---|------------------------|
| Revenue - Continued Operations | 24,420 | 6,530 | (17,890) |
| Consolidated Profit/(Loss) Before Tax | (12,119) | (4,032) | 8,087 |
| less: Taxation | 129 | - | (129) |
| Consolidated Profit/(Loss) After Tax | | | |
| Continuing Operations | (11,990) | (4,032) | 7,958 |
| Discontinued Operations / Disposal Group | - | - | - |
| Minority Interest (MI) | - | - | - |
| Net Profit/(Loss) After MI | (11,990) | (4,032) | 7,958 |

Turnover for the 1st Quarter 2013 at RM 6,530 Million is much lower compared to the immediate preceding 4th Quarter 2012 with a loss of RM (4,032) Million. (I) PVC resins and compounds operations provided the main revenue. The reason for the lower revenue was the constraint in trade facilities.

B3 Prospects

Due to current constraint in the financial facilities the company is operating at well below its capacity and hence operating at uneconomic levels despite better market position. VCM/PVC Differential remains at indifferent uneconomic levels. The company is in the process of 1) Restructuring its borrowing with the bank 2) OEM arrangement 3) Cost cutting exercise including retrenchments to a level to sustain itself to lower production volume. Until these measures are completed, the company is expected to make losses.

B4 Variance of Group's Actual against Profit Forecast and profit guarantee

The Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation.

The Group did not announce any profit guarantee.

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B5 Taxation

| | Individual Quarter | | Cumulative Quarter | |
|-----------------------|--|---|--|--|
| | Current Year <u>1st Quarter</u> <u>@31 Mar13</u> RM '000 | Preceding Year <u>1st Quarter</u> <u>@31Mar12</u> RM '000 | Current Year <u>1stQuarter</u> <u>@31Mar13</u> RM '000 | Preceding Year <u>1stQuarter</u> <u>@31Mar12</u> RM '000 |
| Current Year Taxation | - | - | - | - |
| Deferred Taxation | - | - | - | - |
| Total Tax Expense | - | - | - | - |
| | | | | |
| Effective Tax Rate | 0.0% | 0.0% | 0.0% | 0.0% |

In view of substantial unabsorbed accumulated losses, no tax is payable for the current and cumulative period.

B6 Status of Corporate Proposals announced

On 24 March 2011, the Group announce that a wholly owned subsidiary, IRM COMPOSITE SDN BHD ("IRMC") entered into an agreement with Perbadanan Kemajuan Negeri Perak ("PKNP") for a joint business collaboration for a bamboo concession in the state of Perak. Details of collaborative effort for implementations are currently being worked out.

On 16 November 2011, the Group announced that IRM Solar Sdn. Bhd. ("IRM Solar") (formerly known as Juara Armada Sdn. Bhd.), a wholly-owned subsidiary of IRMGB had on 5 October 2011 entered into a Joint Venture Agreement ("JV Agreement") with Gumi Asli Elektrikal Sdn. Bhd. ("Gumi Asli") for the purpose of tendering for the construction and completion of 2MW Solar Farm and associated works, Putrajaya, Malaysia (Phase 1) ("Solar Farm Tender") ("Joint Venture") called by TNB Energy Services Sdn. Bhd. ("TNBES"). The Joint Venture to be operated under the name of IRM Solar - GAESB JV has yet to be incorporated. The Joint Venture is still awaiting for TNB to decide whether to proceed or not with the project.

On 13 March 2012, the Company announced that IRM Solar Sdn Bhd, a subsidiary company has been granted the Feed-in Tariff ("FiT") Approval by Sustainable Energy Development Authority Malaysia to install Solar PV Power Station Non-Individual (>1MW<=5MW) with maximum capacity of 5.0 MW at Perlis. The project is under development.

The company announced PN 1 status on the 25th February 2013. Certain measures outlined in the announcement is still ongoing.

The company announced PN17 status on the 31 May 2013 pursuant to paragraph 2.1(e) of PN17 of the main Market Listing requirement.

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B7 Group's borrowings and debt securities

(a) The Group borrowings are as follows:

| | @ 31 MAR 13 | | | @ 31 MAR 12 | | |
|--------------|-------------------|------------------|---------------|-------------------|------------------|---------------|
| | <u>Short term</u> | <u>Long term</u> | <u>Total</u> | <u>Short term</u> | <u>Long term</u> | <u>Total</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Secured: | 15,921 | 8,389 | 24,310 | 22,218 | - | 22,218 |
| Unsecured: | 21,650 | - | 21,650 | 15,043 | - | 15,043 |
| Total | <u>37,571</u> | <u>8,389</u> | <u>45,960</u> | <u>37,261</u> | <u>-</u> | <u>37,261</u> |

Above borrowings exclude LCs issued.

(b) All borrowings are denominated in Ringgit Malaysia

B8 Derivative Financial Instruments (Off balance sheet financial instruments)

Details of outstanding derivative financial instruments as at end of 31 DECEMBER 2012.

| Type of Derivatives | Contract / Notional Value RM '000 | Fair Value RM '000 | Gain/(Loss) Fair Value Changes RM '000 | Purpose |
|--|--|--------------------------|---|-------------------------------|
| Forward exchange contracts (Mature within 2 months) | - | - | - | Hedging for Material purchase |

B9 Realised and Unrealised Profits / (Losses) Disclosures

| | As at 31-Mar-13 RM '000 | As at 31-Dec-12 RM '000 |
|--|-------------------------------|-------------------------------|
| Total unappropriated profit of IRMGB and its subsidiaries: | | |
| Realised | (45,040) | (43,489) |
| Unrealised | (4,735) | (3,259) |
| | <u>(49,775)</u> | <u>(46,748)</u> |
| Consolidation Adjustments | (2,753) | (1,748) |
| Total group unappropriated profit as per Consolidated Accounts: | <u>(52,528)</u> | <u>(48,496)</u> |

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B10 Material litigation

There were no material litigation pending at the date of this announcement.

B11 Dividends

No dividend has been declared in respect of the financial period under review.

B12 Earnings per share

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|--|--|
| | Current Year <u>1st Quarter</u> <u>@31Mar13</u> | Preceding Year <u>1st Quarter</u> <u>@31Dec12</u> | Current Year <u>1st Quarter</u> <u>@31Mar13</u> | Preceding Year <u>1st Quarter</u> <u>@31Dec12</u> |
| a. Basic | | | | |
| Net Profit / (Loss) for the period (RM '000) | (4,032) | (1,055) | (4,032) | (1,055) |
| Weighted Average Number of shares in issue ('000) | 130,000 | 130,000 | 130,000 | 130,000 |
| Basic Earnings / (Loss) per share (sen) | (3.10) | (0.81) | (3.10) | (0.81) |

b. Diluted

The Group does not have any convertible securities and accordingly Diluted EPS is not applicable.

B13 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 MAY 2013.