

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

Quarterly report on consolidated results for the 2ND QUARTER ended 30 JUNE 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)	01-Jan-15
MFRS 10	Consolidated Financial Statements	01-Jan-13
MFRS 11	Joint Arrangements	01-Jan-13
MFRS 12	Disclosures of Interest in Other Entities	01-Jan-13
MFRS 13	Fair Value Measurement	01-Jan-13
MFRS 119	Employee Benefits (as amended in June 2011)	01-Jan-13
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	01-Jan-13
MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)	01-Jan-13
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	01-Jan-13
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	01-Jul-12
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	01-Jan-14
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13

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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 company for the time being is not carrying out operation temporarily. Therefore no seasonal and cyclical factors is relevant.

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. Due to financial constraint and negative business environment, IRMSB has temporarily ceased production of our core business.

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 Calendared/Wood Composite Products)
- (c) Renewable Energy Operations (produce electric power via solar farm and biomass power plant)

	Current 2nd Quarter		Preceding 2nd Quarter	
	Profit/(Loss) after		Profit/(Loss) after	
	<u>Revenue</u>	<u>taxation</u>	<u>Revenue</u>	<u>taxation</u>
OPERATING UNITS' BUSINESS	RM '000	RM '000	RM '000	RM '000
Renewable Energy - Solar farm & Biomass power plant	64	(32)	-	-
PVC Resins and Compounds	909	(5,387)	30,955	(2,720)
Downstream Fabricated Applications - Pipes & Calendaring #	31	(298)	609	9
	1,004	(5,717)	31,564	(2,711)
less: Inter-Segment Sales	(156)	-	(181)	-
add: Holding Company	-	(144)	-	(110)
add: Goodwills / Assets Diminution / Interco debt	-	-	-	-
Total	848	(5,861)	31,383	(2,821)

	Cummulative Current 2nd Quarter		Cummulative Preceding 2nd Quarter	
	Profit/(Loss) after		Profit/(Loss) after	
	<u>Revenue</u>	<u>taxation</u>	<u>Revenue</u>	<u>taxation</u>
OPERATING UNITS' BUSINESS	RM '000	RM '000	RM '000	RM '000
Renewable Energy - Solar farm & Biomass power plant	64	(32)	-	-
PVC Resins and Compounds	6,806	(9,069)	67,560	(3,666)
Downstream Fabricated Applications - Pipes & Calendaring #	959	(505)	1,217	10
	7,829	(9,606)	68,777	(3,656)
less: Inter-Segment Sales	(451)	-	(347)	-
add: Holding Company	-	(288)	-	(220)
add: Goodwills / Assets Diminution	-	-	-	-
Total	7,378	(9,894)	68,430	(3,876)

	Current 1st Quarter		Preceding 1st Quarter	
	@ 30 JUN 2013		@ 30 JUN 2012	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
SEGMENT ASSETS & LIABILITIES	RM '000	RM '000	RM '000	RM '000
Renewable Energy - Solar farm & Biomass power plant	5,392	1,374	1,543	946
PVC Resins and Compounds	65,215	65,600	104,788	57,947
Downstream Fabricated Applications - Pipes & Calendaring #	5,768	10,512	5,212	6,917
	76,375	77,486	111,543	65,810
less: Unallocated / Consolidation adjustments	17,658	(12,166)	(10,439)	(7,030)
Total	94,033	65,320	101,104	58,780

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.

A10

Material events subsequent to the end of the quarter

The group has decided to temporarily ceased operation of our core business due to financial constraint and unfavorable business environment.

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.

However, 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

	@30-06-13	@31-12-12
	RM('000)	RM('000)
Cash and cash equivalent comprise of:		
Cash and Bank balances	343	1,319
Deposits with licensed banks	417	414
Overdraft (in Bank Borrowings)	(2,250)	(1,869)
	(1,490)	(136)
Cash and Bank Balance classified as held for Sale	-	-
Fixed Deposits with Banks classified as held for Sale	-	-
	(1,490)	(136)

A16

Inventories

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

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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 30-Jun-12 RM' 000	CURRENT YEAR QUARTER ended 30-Jun-13 RM' 000	CHANGES RM' 000
Revenue - Continued Operations	31,382	848	(30,534)
Consolidated Profit/(Loss) Before Tax	(3,508)	(5,861)	(2,353)
less: Taxation	687	-	(687)
Consolidated Profit/(Loss) After Tax			
Continuing Operations	(2,821)	(5,861)	(3,040)
Discontinued Operations / Disposal Group	-	-	-
Minority Interest (MI)	-	-	-
Net Profit/(Loss) After MI	(2,821)	(5,861)	(3,040)
RESINS & COMPOUNDS VOLUME (MTS)	8,896	316	(8,580)
AVERAGE UNIT PRICES (RM / MT)	3.53	2.68	(0.84)

As mentioned earlier the Group has decided to temporarily ceased operation. For the quarter our sales were purely related to disposal of ongoing stock and orders and sales of some old stock, and hence the significant drops in sales. To make a comparison with the previous quarter sales and current is not appropriate.

Detailed Segment Analysis:

	Current 2nd Quarter		Cumulative Quarter	
	Revenue	Profit/Loss after Tax	Revenue	Profit/Loss after Tax
	RM '000	RM '000	RM '000	RM '000
Renewable Energy Operations	64	(32)	64	(32)
PVC Resins & Compounds	909	(5,387)	6,806	(9,069)
Downstream Fabricated Applications	31	(298)	959	(505)
TOTAL	1,004	(5,717)	7,829	(9,606)
less: Intersegment Sales	(156)	-	(451)	-
	848	-	7,378	-

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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-Mar-12 RM' 000	CURRENT QUARTER ended 30-Jun-13 RM' 000	CHANGES RM' 000
Revenue - Continued Operations	6,530	848	(5,682)
Consolidated Profit/(Loss) Before Tax	(4,032)	(5,861)	(1,829)
less: Taxation	-	-	-
Consolidated Profit/(Loss) After Tax			
Continuing Operations	(4,032)	(5,861)	(1,829)
Discontinued Operations / Disposal Group	-	-	-
Minority Interest (MI)	-	-	-
Net Profit/(Loss) After MI	(4,032)	(5,861)	(1,829)

The same commentary as in Notes B1 is applicable.

B3 Prospects

Business environment is improving in the PVC industry. VCM/PVC differential has widen to viable levels, exchange rates USD versus RM has moved in our favour as a manufacturer. With VCMSB closure, there is an acute shortage in Malaysia.

We are in the process of making arrangements to take advantage of the positive situation especially with regards to working capital from third parties. If this is successful and the business environment continue positive, appropriate consideration to be made to restart operations.

Until then, we are not generating any revenue.

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	Preceding	Current	Preceding
	Year	Year	Year	Year
	<u>2nd Quarter</u>	<u>2nd Quarter</u>	<u>2nd Quarter</u>	<u>2nd Quarter</u>
	<u>@30 Jun13</u>	<u>@30 Jun12</u>	<u>@30 Jun13</u>	<u>@30 Jun 12</u>
	RM '000	RM '000	RM '000	RM '000
Current Year Taxation	-		-	
Deferred Taxation	-	687	-	687
Total Tax Expense	<u>-</u>	<u>687</u>	<u>-</u>	<u>687</u>
Effective Tax Rate	0.0%	19.6%	0.0%	15.1%

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:

	@ 30 JUN 13			@ 30 JUN 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:	40,980	8,713	49,693	13,730	11,223	24,953
Unsecured:	-	-	-	-	-	-
Total	<u>40,980</u>	<u>8,713</u>	<u>49,693</u>	<u>13,730</u>	<u>11,223</u>	<u>24,953</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 30-Jun-13 RM '000	As at 31-Dec-12 RM '000
Total unappropriated profit of IRMGGB and its subsidiaries:		
Realised	(48,496)	(43,489)
Unrealised	(2,000)	(3,259)
	<u>(50,496)</u>	<u>(46,748)</u>
Consolidation Adjustments	(2,753)	(1,748)
Total group unappropriated profit as per Consolidated Accounts:	<u>(58,389)</u>	<u>(48,496)</u>

B10 Material litigation

Hong Leong Bank Berhad issued a demand letter dated 20 August. Refer to IRMGGB announcement to Bursa dated 21 August 2013.

B11 Dividends

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

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B12 Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year	Year
	<u>2nd Quarter</u>	<u>2nd Quarter</u>	<u>2nd Quarter</u>	<u>2nd Quarter</u>
	<u>@30 Jun13</u>	<u>@30 Jun 12</u>	<u>@30 Jun13</u>	<u>@30 Jun 12</u>
a. Basic				
Net Profit / (Loss) for the period (RM '000)	(5,861)	(2,821)	(9,893)	(3,876)
Weighted Average Number of shares in issue ('000)	130,000	130,000	130,000	130,000
Basic Earnings / (Loss) per share (sen)	(4.51)	(2.17)	(7.61)	(2.98)
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 28 August 2013.