

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the quarter ended 30 September 2022**

All figures in RM'000 unless otherwise stated	Current Quarter 30.09.2022	Comparative Quarter 30.09.2021	Cumulative Quarter 3-month 30.09.2022	Cumulative Quarter 3-month 30.09.2021
Revenue	11,855	8,286	11,855	8,286
Cost of sales	(11,463)	(11,942)	(11,463)	(11,942)
Gross profit/(loss)	392	(3,656)	392	(3,656)
Other income	266	1,471	266	1,471
Expenses	(27,927)	(10,538)	(27,927)	(10,538)
Operating loss	(27,269)	(12,723)	(27,269)	(12,723)
Finance costs	(620)	(1,815)	(620)	(1,815)
Effect of deconsolidation of IECSB	201,045	-	201,045	-
Share of loss of joint venture	-	(221)	-	(221)
Profit/(loss) before tax	173,156	(14,759)	173,156	(14,759)
Income tax expense	(167)	(150)	(167)	(150)
Profit/(loss) for the quarter	172,989	(14,909)	172,989	(14,909)
Other comprehensive income:-				
Currency translation differences	330	13	330	13
Other comprehensive income for the quarter, net of tax	330	13	330	13
Total comprehensive profit/(loss) for the quarter	173,319	(14,896)	173,319	(14,896)
Profit/(loss) attributable to:-				
Owners of the Company	172,731	(14,896)	172,731	(14,896)
Non-controlling interests	258	(13)	258	(13)
	172,989	(14,909)	172,989	(14,909)
Total comprehensive profit/(loss) attributable to:-				
Owners of the Company	173,061	(14,883)	173,061	(14,883)
Non-controlling interests	258	(13)	258	(13)
	173,319	(14,896)	173,319	(14,896)
Earnings/(loss) per share attributable to owners of Company:-				
- basic (sen)	82.98	(7.59)	82.98	(7.59)

Note:

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022 and the accompanying explanatory notes attached to the Interim Statements.

Other information:-

Operating loss	(27,269)	(12,723)	(27,269)	(12,723)
Gross interest income	47	26	47	26
Gross interest expense	(620)	(1,815)	(620)	(1,815)

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))
Condensed Consolidated Statement of Financial Position as at
30 September 2022

	Unaudited	Audited
	As At	As At
	30.09.2022	30.06.2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,081	14,143
Right-of-use assets	7,624	8,188
Investment properties	1,055	12,055
Other investments	27,689	36,382
Inventories	29,917	25,545
Deferred tax asset	55	55
	75,421	96,368
Current assets		
Inventories	72,063	81,508
Trade and other receivables	76,654	98,931
Fixed deposits (pledged)	3,529	4,564
Cash and bank balances	3,740	13,935
Asset held for sale - investment properties	11,000	-
	166,986	198,938
TOTAL ASSETS	242,407	295,306
EQUITY AND LIABILITIES		
Equity		
Share capital	207,729	207,729
Foreign currency translation reserve	(1,544)	(1,874)
Accumulated losses	(170,479)	(343,210)
Equity attributable to owners of the Company	35,706	(137,355)
Non-controlling interests	30,172	29,913
Total equity / (capital deficiency)	65,878	(107,442)
Non-current liabilities		
Retirement benefits obligations	622	3,696
Lease liabilities	6,369	6,684
Redeemable convertible preference shares	67,608	67,608
Deferred tax liabilities	313	313
	74,912	78,301
Current liabilities		
Trade and other payables	85,666	284,022
Retirement benefits obligations	220	557
Lease liabilities	1,547	1,834
Borrowings	12,500	29,781
Overdrafts	320	6,129
Tax payable	1,364	2,124
	101,617	324,447
Total liabilities	176,529	402,748
TOTAL EQUITY AND LIABILITIES	242,407	295,306
Note:		
The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022 and the accompanying explanatory notes attached to the Interim Statements.		
Other Information:-		
Net assets per share (RM)	0.17	(0.66)

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))

Condensed Consolidated Statement of Changes in Equity for the quarter ended 30 September 2022

[-----Attributable to owners of the Company-----]
 [-----Non-distributable-----] [-----Distributable-----]

	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
3 months ended 30.09.2022 (Unaudited)						
Balance as at 01.07.2022	207,729	(1,874)	(343,210)	(137,355)	29,913	(107,442)
Total comprehensive income for the quarter	-	330	172,731	173,061	259	173,320
Balance as at 30.09.2022	207,729	(1,544)	(170,479)	35,706	30,172	65,878

[-----Attributable to owners of the Company-----]
 [-----Non-distributable-----] [-----Distributable-----]

	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
15 months ended 30.06.2022 (Audited)						
Balance as at 01.04.2021	181,288	(1,919)	(119,789)	59,580	31,091	90,671
Prior year adjustment	-	-	(59,055)	(59,055)	(492)	(59,547)
Restated balance at 01.04.2021	181,288	(1,919)	(178,844)	525	30,599	31,124
Share issuance arising from private placements	26,872	-	-	26,872	-	26,872
Transaction costs of share issue	(431)	-	-	(431)	-	(431)
Total comprehensive loss for the financial period	-	45	(164,366)	(164,321)	(686)	(165,007)
Balance as at 30.06.2022	207,729	(1,874)	(343,210)	(137,355)	29,913	(107,442)

Note:

The Company had changed its financial year end from 31 March to 30 June in the previous financial period. Consequently, the comparative figures stated in the Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the 15-month period ended 30 June 2022, and are therefore not comparable. For the current financial year, the next audited financial statements of the Company will be covering a period of 12 months ending 30 June 2023.

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))
Condensed Consolidated Statement of Cash Flows for the quarter ended
30 September 2022

	Unaudited Cumulative Period 3-month 30.09.2022	Audited Cumulative Period 15-month 30.06.2022
All figures in RM'000		
Cash flows from/ (for) operating activities		
Profit/(loss) before taxation	173,156	(165,485)
Adjustments for:-		
Depreciation on right-of-use assets	444	2,300
Bad debt written off	-	6,111
COVID-19 related rent concessions income	-	(106)
Fair value loss on a quoted investment	8,694	24,604
Loss on derecognition of an associate	-	11,733
Fair value loss on investment properties	-	1,453
Interest expense	620	7,573
Interest income	(47)	(290)
Impairment losses on contract assets, trade and other receivables	-	15,412
Property, plant and equipment		
- Depreciation	86	2,562
- Loss on disposal	-	(1,484)
- Written off	1	4,428
Other debtor written off	-	2,712
Unrealised gain on foreign exchange	-	24
Loss on disposal of a joint venture	-	3,678
Provision for legal claims, onerous contracts and retirement benefit obligations	15,788	39,823
Reversal of impairment losses on contract assets, trade and other receivables	-	(4,307)
Share of results of a joint venture	-	465
Effect on deconsolidation of IECSB, net of IECSB's cash balances and overdrafts	(198,350)	-
Operating profit/(loss) before working capital changes	392	(48,794)
Working capital changes:-		
Inventories	(6,720)	17,683
Receivables	(4,354)	72,609
Contract liabilities/contract asset	(3,039)	11,393
Payables	10,938	(88,885)
Net cash used in operations	(2,783)	(35,994)
Payment of retirement benefits obligation	-	(231)
Income tax paid	(712)	(2,809)
Net cash used in operating activities	(3,495)	(39,034)
Cash flows from/ (for) investing activities		
Purchase of property, plant and equipment	(86)	(339)
Proceeds from disposal of property, plant and equipment	-	2,632
Proceeds from disposal of a joint venture	-	3,000
Repayments from related parties	-	607
Uplift of deposits with licensed banks	(18)	-
Withdrawal of short-term fund	-	4,863
Changed in pledged deposits	-	6,076
Net cash outflow due to deconsolidation of IECSB	(2,695)	-
Interest received	47	290
Net cash (used in)/from investing activities	(2,752)	17,129
Cash flows from/ (for) financing activities		
(Repayment to)/Advances from directors	(7)	7
Drawdown of term loans	-	2,150
Proceeds from issuance of ordinary shares	-	26,441
Proceeds from issuance of Redeemable Convertible Preference Shares	-	67,608
Repayment of bank borrowings	(123)	(66,142)
Advances from related parties	-	5,224
Interest paid	(620)	(7,573)
Repayments of lease liabilities	(415)	(2,131)
Net cash (used in)/generating from financing activities	(1,165)	25,584
Net (decrease)/increase in cash and cash equivalents	(7,412)	3,680
Effect of changes in exchange rates	330	-
Cash and cash equivalents as at beginning of financial period	10,502	4,127
Cash and cash equivalents as at end of financial period	3,420	7,807

Note:

The Company had changed its financial year end from 31 March to 30 June in the previous financial period. Consequently, the comparative figures stated in the Statement of Changes in Equity, Statement of Cash Flows, and the related notes are based on the audited financial statements for the 15-month period ended 30 June 2022, and are therefore not comparable. For the current financial year, the next audited financial statements of the Company will be covering a period of 12 months ending 30 June 2023.

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))
NOTES TO THE QUARTERLY RESULTS

A1 Basis of Preparation

The unaudited interim financial report has been prepared in accordance with *MFRS 134: Interim Financial Reporting* and *Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad*.

The unaudited interim financial report should be read in conjunction with the audited financial statements of Ireka Corporation Berhad (“the Company” or “ICB”) for the 15-month financial period ended 30 June 2022. The explanatory notes attached to the unaudited interim financial report provide 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 financial period ended 30 June 2022.

The adoption of the below accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s Financial Statements.

MFRS and/or IC Interpretations (Including the Consequential Amendments)

Description	
Amendments to MFRS 4	Insurance Contracts
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 9	Financial Instruments
Amendment to MFRS 16	Leases
Amendment to MFRS 139	Financial Instruments: Recognition and Measurement

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#

A1 Basis of Preparation (continued)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

[^] *The Annual Improvements to MFRS Standards 2018-2020*

[#] *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

The adoption of the above MFRSs is not expected to have a material impact in the financial statements of the Group.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial period ended 30 June 2022.

A3 Audit Report

The Company's External Auditors, Messrs. Baker Tilly Monteiro Heng PLT, have expressed a disclaimer of opinion on the Company's Audited Financial Statements for the previous financial period ended 30 June 2022.

The detailed basis for disclaimer of opinion has been disclosed in the Independent Auditors' Report section of the Annual Report of the Company for the period ended 30 June 2022 (pages 224 to 229).

A4 Seasonality or Cyclicity of Operations

The Group's business operations are not materially affected by seasonal or cyclical factors for the current quarter under review.

A5 Unusual Significant Items

Except for the financial impact of the deconsolidation of a wholly-owned subsidiary, Ireka Engineering & Constructions Sdn Bhd ("IECSB"), as a result of loss of control due to appointment of an Interim Judicial Manager on 8 August 2022, there were no other items affecting the assets, liabilities, equity, net income or cash flow of the Group during the financial period-to-date that are unusual because of their nature, size or incidence.

A6 Material Changes in Estimates

There were no significant changes in estimates that have had a material effect in the financial period-to-date results.

A7 Changes in Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter ended 30 September 2022.

A8 Dividend Paid

No dividend was paid or declared during the current quarter ended 30 September 2022.

A9 Segmental Information

**Group revenue and results including
Share of Associates and Joint Venture**

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Segment Revenue				
Revenue				
Construction	-	4,022	-	4,022
Property development	10,833	4,881	10,833	4,881
Property investment	195	126	195	126
Trading and services	1,603	2,332	1,603	2,332
Investment holding and other	2,258	-	2,258	-
Total	14,889	11,361	14,889	11,361
Elimination of inter-segment sales	(3,034)	(3,075)	(3,034)	(3,075)
Total	11,855	8,286	11,855	8,286

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Segment Results				
Loss before tax				
Construction	(2)	(3,270)	(2)	(3,270)
Property development	5	(577)	5	(577)
Property investment	(19)	(70)	(19)	(70)
Trading and services	(2,800)	(1,162)	(2,800)	(1,162)
Investment holding and other	(50,720)	(6,652)	(50,720)	(6,652)
Total	(53,536)	(11,731)	(53,536)	(11,731)
Elimination of inter-segment items	25,647	(3,028)	25,647	(3,028)
Effect of deconsolidation of IECSB	201,045	-	201,045	-
Total	173,156	(14,759)	173,156	(14,759)

A10 Carrying Amount of Revalued Property, Plant and Equipment

The Group does not state any assets based on valuation of its property, plant and equipment.

A11 Significant Events during the Quarter and Subsequent Events

- (a) As previously reported, on 5 July 2021, Ireka Corporation Berhad (“the Company” or “ICB”) received an offer from Ideal Land Holdings Sdn Bhd (a company owned by the previous controlling shareholders of ICB) to purchase all of ICB’s equity interests in its 17 subsidiaries and associated companies involved in the non-construction businesses for RM40.0 million. Both parties were unable to come to an agreement regarding the various commercial terms to conclude the transaction and the offer has lapsed on 31 August 2022. Both parties have decided to cease all negotiations with respect to the offer.
- (b) On 25 August 2022, the Board of Directors of ICB wishes to announce that they have accepted a notice of termination from Wanland Metro Sdn Bhd (“WMSB”) dated 18 August 2022 on the Joint Venture Agreement entered on 30 August 2021 between IECSB and WMSB. The termination was due to the inability of both parties to agree on certain key commercial terms underlying the projects that the Joint Venture (“JV”) has secured. As a result of this, both parties have mutually agreed to terminate the said JV.
- (c) On 26 October 2022, a wholly-owned subsidiary of ICB, Ireka Commercial Sdn Bhd (“ICSB”) had entered into a Sale and Purchase Agreement (“SPA”) with Eccaz Sdn Bhd for the proposed disposal by ICSB of investment properties for a total consideration of RM11,000,000 (“Disposal Consideration”). The Disposal Consideration was arrived on a ‘willing-buyer willing seller’ basis after taking into consideration the indicative market value of the particular investment properties of RM11,000,000 as assessed by an independent third party registered valuer. The disposal has yet to be completed at the date of this report.
- (d) On 3 November 2022, a wholly-owned subsidiary of ICB, Ireka Development Management Sdn Bhd accepted a Letter of Award from Wakaf Pulau Pinang Sdn Bhd, a representative of Majlis Agama Islam Negeri Pulau Pinang, to jointly develop a piece of land measuring approximately 12.5 acres located in Seberang Perai Tengah, Pulau Pinang (“the Project”). The estimated gross development value of the Project is approximately RM67.8 million.
- (e) As previously reported, the Company had triggered the prescribed criteria under Paragraph 2.1(e) of the Practice Note No. 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). As such ICB had been classified as a PN17 Issuer effective from 28 February 2022. The Company has consistently provided monthly updates on the status of its PN17 to Bursa Securities. Pursuant to the PN17 requirements, the Company is required, amongst others, to submit a regularisation plan within 12 months of the effective date to the relevant authority and to obtain the approval to implement such plan within the stipulated time frame. The Board of Directors of ICB have appointed KAF Investment Bank Berhad as the Principal Adviser to assist the Company in the formulation of the regularisation plan.
- (f) On 15 November 2022, a wholly-owned subsidiary of ICB, Ireka iCapital Sdn Bhd has transferred all its equity interests in its wholly-owned subsidiary, Shoraka Construction Sdn Bhd (formerly known as Asiaegolf Tours Sdn Bhd) to ICB for a nominal consideration of RM1.00.

A11 Significant Events during the Quarter and Subsequent Events (continued)

- (g) On 8 August 2022, the High Court of Malaya in Kuala Lumpur ("the High Court") approved the appointment of an Interim Judicial Manager ("IJM") for a wholly owned subsidiary, IECSB via a High Court Order number WA-28JM-13-07/2022. The general powers and duties of a Judicial Manager as outlined under Section 414 of the Companies Act 2016 mentioned that ".. all powers conferred and duties imposed on the directors by this Act or by constitution of the company shall be exercised and performed by the judicial manager and not the directors..". The above High Court Order specified that the IJM is empowered and authorised to exercise all powers and entitlements of a judicial manager as set out in the Companies Act 2016.

In view of this, the Board of Directors is of the opinion that ICB as a parent has lost its control (control as defined by MFRS10 Consolidated Financial Statements paragraph 6) over IECSB as a subsidiary on the date of the appointment of the IJM at 8 August 2022. Consequently, all the assets and liabilities of IECSB have been derecognised on that date as prescribed by Paragraph 25 of the MFRS10 resulted in an effect on deconsolidation of RM201.0 million. Summary of the effects of deconsolidation of IECSB is as follows:

Descriptions	RM'000
Total Assets of IECSB derecognised	(102,294)
Total Liabilities of IECSB derecognised	307,635
Net liabilities as at 8 August 2022	<u>205,341</u>
<i>Less:</i> Reversal of IECSB's loss for the period up to the date of loss of control on 8 August 2022	<u>(4,296)</u>
Effect of deconsolidation of IECSB recognised in ICB	<u>201,045</u>

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review except for the following:

- (a) On 12 August 2022, the Company incorporated a wholly-owned subsidiary, namely Shoraka Digital Solutions Sdn Bhd ("SDSB") with an issued and paid-up share capital of 2 ordinary shares of RM1 each. The intended principal activity of SDSB is to be involved in information technology services activities.
- (b) On 30 August 2022, the Company incorporated a subsidiary, namely Ireka Development (Langkawi) Sdn Bhd ("IDLSB") with an issued and paid-up share capital of 100 ordinary shares of RM1 each. The Company had subscribed for 80 ordinary shares, representing 80% of total paid up capital, for a total consideration of RM80. IDLSB is to be principally involved in the construction of motorways, streets, roads, other vehicular and pedestrian ways, construction of refineries and residential buildings.
- (c) On 30 August 2022, the Company incorporated a wholly-owned subsidiary, namely Ireka Energy (M) Sdn Bhd ("IEMSB") with an issued and paid-up share capital of 100 ordinary shares of RM1 each. The intended principal activity of IEMSB is to be involved in the oil and gas activities.

A13 Contingent Assets and Liabilities

(a) Contingent Assets

There were no contingent assets as at the end of the current quarter or at the end of the previous financial year.

(b) Contingent Liabilities

	Financial Quarter Ended 30.09.2022 RM	Financial Year Ended 30.06.2022 RM
Corporate guarantees given by ICB for all credit facilities taken by subsidiaries	18,623,287	56,854,676

A14 Capital Commitments

There were no capital commitments at the end of the current quarter.

B1 Review of Performance

(a) Performance of Current Period against the Preceding Year Corresponding Period

Whilst the threat of COVID-19 pandemic has somewhat subdued with Malaysia entered the transition to endemic phase from 1 April 2022, multiple newly emerging challenges are creating more uncertainties to businesses not only in the country but throughout the world. Geopolitical conflict such as the on-going Russia-Ukraine conflict and global inflationary pressures leading to unprecedented hike in energy and food prices and tightening monetary policy resulting in higher interest rates, all culminating into weaker global economic growth prospects. Closer to home, the weakening of Malaysian Ringgit, higher interest rates, higher oil and building material costs, manpower shortage and the lingering after effects of COVID-19 pandemic coupled with an overall drop in the total value of construction projects awarded nationwide has certainly not helping our cause.

Despite the deconsolidation of IECSB, the Group recorded a higher revenue of RM11.9 million (after elimination of inter-segment sales of RM3.0 million) for the financial period ended 30 September 2022, as compared to RM8.3 million (after elimination of inter-segment sales of RM3.1 million) for the preceding year corresponding period, representing an increase of approximately 43%. This was due to the continuation of MCO imposed by the Government last year.

The revenue achieved by the property development segment are higher at RM10.833 million for the current period to date, compared to RM4.881 million last year, representing a total increase of approximately 122% due to recovery in construction activities allowing higher recognition of revenue.

The trading and services segment comprised mainly IT solutions, property development management and services divisions. Revenue for the current period dropped to RM1.603 million, from RM2.332 million in the preceding year corresponding period. The investment holding and other segment has recorded higher revenue at RM2.258 million for the current period to date, representing a total increase of approximately 100%. For the current period to date, revenue achieved by the construction segment is not recognised due to deconsolidation of IECSB.

For the financial period ended 30 September 2022, the Group recorded pre-tax profit of RM173.156 million (after elimination of inter-segment items of RM226.692 million), compared to pre-tax loss of RM14.759 million in the preceding year corresponding period (after elimination of inter-segment items of RM3.028 million). The pre-tax profit for the current quarter is substantially represented by the effect of deconsolidation of IECSB, as mentioned in Section A11 (g).

B1 Review of Performance (continued)

(b) Performance of Current Quarter against the Preceding Year Corresponding Quarter

The Group achieved revenue of RM11.9 million in the current quarter as compared to RM8.3 million in the preceding year corresponding quarter, representing an increase of approximately 43%, which was due to continuation of MCO imposed by the government last year.

For the current quarter ended 30 September 2022, the Group recorded a pre-tax profit of RM173.156 million as compared to pre-tax loss of RM14.759 million in the preceding year corresponding quarter, mainly due to the financial effect of deconsolidation of IECSB.

B2 Material Change in the Quarterly Results compared to the Results of Immediate Preceding Quarter

The Group recorded lower revenue of RM11.855 million in the first quarter of financial period ended 30 September 2022, compared to RM23.452 million in the immediate preceding quarter, due to significant drop in revenue by the construction segments resulting from the deconsolidation of IECSB.

The Group recorded a higher pre-tax profit of RM173.156 million during the current quarter compared to a pre-tax loss of RM64.114 million in the immediate preceding quarter. This quarter's higher pre-tax profit was mainly caused by deconsolidation of IECSB as mentioned earlier.

B3 Prospects for the Current Financial Year

As we leave the year 2022, the transition towards COVID-19 endemicity and the reopening of the international borders have kept the economic growth momentum going. As a result, Malaysian Growth Domestic Product (“GDP”) forecast for this year has been revised upwards to 6.5% to 7%. However, in line with the World Bank and the IMF’s downward revision of global growth due to factors mentioned earlier, the GDP growth is projected to moderate between 4% to 5% in 2023.

ICB Group is undergoing a transition phase as we focus on our efforts to address the PN17 status. The deconsolidation of the loss-making subsidiary, IECSB is the first step towards a total revamp of the Group’s structure and business model. ICB will continue to look for new opportunities to enhance its order book value and identify new partners to develop new projects on a joint-venture basis. At current date, the Group’s construction order book stood at about RM1,091 million, of which about RM889 million remained outstanding.

The Group will continue to participate in the construction sector but on a more selective basis focusing on higher-value added roles, capitalizing on our traditional strength and capabilities. The Group aims to be a bigger player in the property development sector. On 3 November 2022, a wholly-owned subsidiary of ICB, Ireka Development Management Sdn Bhd accepted a Letter of Award from Wakaf Pulau Pinang Sdn Bhd, to jointly develop a piece of land in Seberang Perai Tengah, Pulau Pinang (“the Project”).

On the property development front, the Group has three on-going projects. The first project is ASTA Enterprise Park with GDV of RM231.3 million comprising 36 units of multi-functional industrial units and 9 parcels of land, of which all 34 industrial units and 8 parcels of land were sold/booked. The second project is KaMi Mont’ Kiara consisting of 168 units of residences under the I-Zen brand, which almost 100% sale has been recorded with GDV of RM216.4 million. The final project is DWI@ Rimbun Kasia, Nilai, which is undertaken jointly with Hankyu Hanshin Properties Corp., comprising 382 units of mid-market courtyard condominiums under the Group’s mid-market zenZ brand.

As the country transitioned into endemic phase of COVID-19 since 1 April 2022, with all restriction on business operating hours being removed together with aggressive roll-out of booster Immunisation Programme, economic activities across various sectors have further improved during the quarter.

With the conclusion of the recent General Election and successful formation of the new Federal Unity Government headed by the new Prime Minister, we are hopeful that the new administration will come up with better and more business-friendly policies which will enable businesses to grow and survive the very challenging and uncertain market conditions in the near future.

Premised on the above and after considering the overview and outlook of the construction and property sectors in Malaysia in the longer term, the Board remains cautiously optimistic of the future prospects of the Ireka Group.

B4 Variation of Actual Profit from Forecast Profit and Shortfall in Profit Guarantee

Not applicable.

B5 Profit/(Loss) for the Period

Loss for the period is arrived at after charging/(crediting): -

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	85	829	85	829
Loss on disposal of property, plant and equipment	1	-	1	-
Interest expense	620	1,815	620	1,815
Net foreign exchange gain	-	(172)	-	(172)
Impairment loss on reclassification of associated company to an investment	-	25,905	-	25,905
Fair value loss of a quoted investment	8,694	3,810	8,694	3,810
Interest income	(47)	(26)	(47)	(26)
Provision for financial guarantee	15,788	-	15,788	-
Effect of deconsolidation of IECSB (Note A11(g))	(201,045)	-	(201,045)	-

B6 Taxation

The taxation for the current quarter and period-to-date are as follows:-

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax expense	(167)	(150)	(167)	(150)
	(167)	(150)	(167)	(150)

The effective tax rates of the Group for the current quarter and for the period were lower than the statutory tax rate due to losses recorded by certain subsidiaries and also utilisation of tax losses brought forward by the Company and its subsidiaries.

B7 Status of Corporate Proposals

On 29 November 2021, on behalf of the Board of Directors of ICB, Mercury Securities Sdn Bhd (“Mercury Securities”) announced that the Company has entered into a conditional subscription agreement with Fairfax Ventures Ltd (“Fairfax” or “Subscriber”) for the Proposed RCPS Issuance (“Subscription Agreement”). Subsequently, Mercury Securities had on 17 November 2021 announced that the application for the listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities has been submitted to Bursa Securities.

On 30 December 2021, Mercury Securities announced that Bursa Securities has vide its letter dated 29 December 2021, resolved to approve the listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities, subject to the following conditions:

- (i) The maximum Conversion Shares to be issued pursuant to the Proposed RCPS Issuance must be in full compliance with Paragraph 6.50 of the Listing Requirements at all times;
- (ii) ICB and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed RCPS Issuance;
- (iii) ICB / Mercury Securities to furnish Bursa Securities with the certified true copy of the resolution passed by the shareholders of the Company at the EGM approving the Proposed RCPS Issuance prior to its implementation;
- (iv) ICB and Mercury Securities to inform Bursa Securities upon the completion of the Proposed RCPS Issuance;
- (v) ICB and Mercury Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval prior to the implementation of the Proposed RCPS Issuance; and
- (vi) ICB to furnish Bursa Securities on a quarterly basis a summary of the total number of new ICB Shares listed pursuant to the conversion of the RCPS as at the end of each quarter together with a detailed computation of the listing fees payable.

The salient features of the RCPS are as follows:

- (a) **Tenure**
Up to 36 months commencing from and inclusive of the Issue Date of the 1st sub-tranche of Tranche 1 up to the Maturity Date.
- (b) **Maturity date**
The business day immediately before the 3rd anniversary of the date of Issue Date of 1st sub-tranche of Tranche 1.
- (c) **Dividend**
The RCPS shall carry the right to receive out of profits of the Company a cumulative preferential dividend at the rate of 2% per annum calculated based on the aggregate subscription price of the RCPS at the Issue Price. The preferential dividends shall be payable to the holder of RCPS semi-annually within 14 days from the date of 30 June and 31 December each calendar year. No dividends shall be paid on the ICB Shares unless the dividends on the RCPS have been first paid.

B7 Status of Corporate Proposals (continued)

(d) Conversion Right

Subject to and upon compliance with the conditions in the Subscription Agreement, the RCPS may be converted into the duly authorised, validly issued, fully paid and unencumbered Conversion Share(s) based on the Conversion Price, at any time during the Conversion Period.

The Conversion Rights confer the holder of RCPS the right to convert the RCPS into Conversion Share(s) which will be subject to adjustments from time to time at the determination of the Board of Directors of ICB in consultation with the approved advisers and certified by the auditors of ICB, in the event of any alteration to the Company's share capital, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Constitution.

(e) Conversion upon maturity

Subject to:

- (a) the Non-Event of Default Redemption, Conversion Downside Redemption and Event of Default Redemption; and
- (b) the Conversion Cap,

any remaining outstanding RCPS must be converted into Conversion Shares on the Maturity Date unless the Company exercises its rights in respect of the Non-Event of Default Redemption prior to the Maturity Date, together with payment by the Company of all accumulated and unpaid dividend accrued on the converted RCPS.

B8 Group Borrowings and Debt Securities

	Unaudited As at 30.09.2022 RM'000	Unaudited As at 30.09.2021 RM'000
(a) Short term borrowings		
<i>Secured:-</i>		
Term loans	12,500	21,532
Finance lease liabilities/Hire purchase	1,547	3,174
Trade finance	-	15,202
Bank overdrafts	320	5,507
Revolving credit	-	22,000
	<u>14,367</u>	<u>67,415</u>
(b) Long term borrowings		
<i>Secured:-</i>		
Term loans	-	6,772
Finance lease liabilities/Hire purchase	6,369	5,440
Redeemable convertible preference shares	67,608	-
	<u>73,977</u>	<u>12,212</u>
(c) Total borrowings	<u>88,344</u>	<u>79,627</u>

B9 Material Litigations

Pursuant to various announcements made by the Company from 29 July 2022 to 8 August 2022, IECSB, a subsidiary of the Company has applied to the High Court of Malaya in Kuala Lumpur (“the High Court”) to be placed under Judicial Management (“JM”). Subsequently, on 8 August 2022, the High Court has further granted IECSB the appointment of an Interim Judicial Manager (“IJM”) whilst waiting for the decision by the High Court with regards to the JM application, initially to be heard on 15 September 2022. The hearing date has been deferred twice by the High Court from 15 September 2022 to 3 November 2022 and now to 7 December 2022. The filing of IECSB application for the JM had effectively put all the existing litigation matters in abeyance at least until the hearing date.

B10 Dividend Proposed

No dividend was proposed during the period under review.

B11 Earnings/(Loss) per Share

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Basic				
Profit/(Loss) for the quarter attributable to owners of the Company (RM'000)	172,731	(14,896)	172,731	(14,896)
Weighted average number of ordinary shares	208,160,270	196,289,333	208,160,270	196,289,333
Basic earnings/(loss) per share (sen)	82.98	(7.59)	82.98	(7.59)

By Order of the Board
IREKA CORPORATION BERHAD
ALIZA BINTI AHMAD TERMIZI
Company Secretary
Kuala Lumpur
30 November 2022