

IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2022**

All figures in RM'000 unless otherwise stated	Current Quarter 31.12.2022	Comparative Quarter 31.12.2021	Cumulative Period 6-month 31.12.2022	Cumulative Period 6-month 31.12.2021
Revenue	8,673	38,306	20,528	46,592
Cost of sales	(5,120)	(38,028)	(16,583)	(49,970)
Gross profit/(loss)	3,553	278	3,945	(3,378)
Other income	8,994	635	210,305	2,106
Expenses	(9,423)	(23,890)	(37,350)	(34,428)
Operating profit/(loss)	3,124	(22,977)	176,900	(35,700)
Finance costs	(590)	(1,111)	(1,210)	(2,926)
Share of loss of joint venture	-	387	-	166
Profit/(loss) before tax	2,534	(23,701)	175,690	(38,460)
Income tax expense	(537)	(613)	(704)	(763)
Profit/(loss) for the period	1,997	(24,314)	174,986	(39,223)
Other comprehensive (loss)/income:-				
Currency translation differences	(341)	-	(11)	13
Other comprehensive (loss)/income for the period, net of tax	(341)	-	(11)	13
Total comprehensive profit/(loss) for the period	1,656	(24,314)	174,975	(39,210)
Profit/(loss) attributable to:-				
Owners of the Company	2,186	(24,102)	174,917	(38,998)
Non-controlling interests	(189)	(212)	69	(225)
	1,997	(24,314)	174,986	(39,223)
Total comprehensive profit/(loss) attributable to:-				
Owners of the Company	1,845	(24,314)	174,906	(39,197)
Non-controlling interests	(189)	-	69	(13)
	1,656	(24,314)	174,975	(39,210)
Earnings/(loss) per share attributable to owners of Company:-				
- basic (sen)	1.05	(11.94)	84.03	(19.33)

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 profit/(loss)	3,124	(22,977)	176,900	(35,700)
Gross interest income	455	504	502	530
Gross interest expense	(590)	(1,111)	(1,210)	(2,926)

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

	Unaudited As At 31.12.2022 RM'000	Audited As At 30.06.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,939	14,143
Right-of-use assets	7,315	8,188
Investment properties	1,055	12,055
Other investments	28,205	36,382
Inventories	30,134	25,545
Deferred tax asset	55	55
	75,703	96,368
Current assets		
Inventories	67,407	81,508
Trade and other receivables	74,619	98,931
Fixed deposits (pledged)	3,551	4,564
Cash and bank balances	2,960	13,935
Asset held for sale - investment properties	11,000	-
	159,537	198,938
TOTAL ASSETS	235,240	295,306
EQUITY AND LIABILITIES		
Equity		
Share capital	207,729	207,729
Foreign currency translation reserve	(1,885)	(1,874)
Accumulated losses	(168,293)	(343,210)
Equity attributable to owners of the Company	37,551	(137,355)
Non-controlling interests	29,982	29,913
Total equity / (capital deficiency)	67,533	(107,442)
Non-current liabilities		
Retirement benefits obligations	537	3,696
Lease liabilities	6,062	6,684
Redeemable convertible preference shares	67,608	67,608
Deferred tax liabilities	313	313
	74,520	78,301
Current liabilities		
Trade and other payables	77,154	284,022
Retirement benefits obligations	239	557
Lease liabilities	1,558	1,834
Borrowings	12,500	29,781
Overdrafts	-	6,129
Tax payable	1,736	2,124
	93,187	324,447
Total liabilities	167,707	402,748
TOTAL EQUITY AND LIABILITIES	235,240	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)	0.18	(0.60)
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IREKA CORPORATION BERHAD (Company No. 197501004146 (25882-A))

Condensed Consolidated Statement of Changes in Equity for the period ended 31 December 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
<u>6 months ended 31.12.2022 (Unaudited)</u>						
Balance as at 01.07.2022	207,729	(1,874)	(343,210)	(137,355)	29,913	(107,442)
Total comprehensive (loss)/income for the period	-	(11)	174,917	174,906	69	174,975
Balance as at 31.12.2022	207,729	(1,885)	(168,293)	37,551	29,982	67,533

[-----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
<u>15 months ended 30.06.2022 (Audited)</u>						
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)/income 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 period ended
31 December 2022

	Unaudited Cumulative Period 6-month 31.12.2022	Audited Cumulative Period 15-month 30.06.2022
All figures in RM'000		
Cash flows from/(for) operating activities		
Profit/(loss) before taxation	175,690	(165,485)
Adjustments for:-		
Depreciation on right-of-use assets	600	2,300
Bad debt written off	-	6,111
COVID-19 related rent concessions income	-	(106)
Fair value loss on a quoted investment	8,159	24,604
Loss on derecognition of an associate	-	11,733
Fair value loss on investment properties	-	1,453
Interest expense	1,210	7,573
Interest income	(502)	(290)
Impairment losses on contract assets, trade and other receivables	-	15,412
Property, plant and equipment		
- Depreciation	161	2,562
- Gain on disposal	-	(1,484)
- Written off	5,126	4,428
Other debtor written off	-	2,712
Unrealised loss on foreign exchange	-	24
Loss on disposal of a joint venture	-	3,678
Gain on disposal of subsidiaries, net of cash and bank balances	(31,677)	-
Provisions	21,859	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, bank and overdrafts	(175,172)	-
Operating loss before working capital changes	5,454	(48,794)
Working capital changes:-		
Inventories	9,512	17,683
Receivables	35,896	72,609
Contract liabilities/contract asset	16,456	11,393
Payables	(50,587)	(88,885)
Net cash from/(used) in operations	16,731	(35,994)
Payment of retirement benefits obligation	-	(231)
Income tax paid	(720)	(2,809)
Net cash used in operating activities	16,011	(39,034)
Cash flows from/(for) investing activities		
Purchase of property, plant and equipment	(83)	(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
Withdrawal of short-term fund	-	4,863
Changed in pledged deposits	1,013	6,076
Interest received	502	290
Net cash outflow due to deconsolidation of IECSB	(2,695)	-
Net cash outflow due to disposal of subsidiaries	(206)	-
Net cash (used in)/from investing activities	(1,469)	17,129
Cash flows from/(for) financing activities		
(Repayment to)/Advances from directors	-	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	(17,281)	(66,142)
Advances from related parties	-	5,224
Interest paid	(1,210)	(7,573)
Repayments of lease liabilities	(898)	(2,131)
Net cash (used in)/generating from financing activities	(19,389)	25,584
Net (decrease)/increase in cash and cash equivalents	(4,847)	3,680
Cash and cash equivalents as at beginning of financial period	7,807	4,127
Cash and cash equivalents as at end of financial period	2,960	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 31 December 2022.

A8 Dividend Paid

No dividend was paid or declared during the current quarter ended 31 December 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	6 Months Ended	6 Months Ended
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Segment Revenue				
Revenue				
Construction	-	20,203	-	24,225
Property development	7,257	19,636	18,090	24,517
Property investment	192	125	387	251
Trading and services	1,519	3,435	3,122	5,767
Investment holding and other	1,350	-	3,608	-
Total	10,318	43,399	25,207	54,760
Elimination of inter-segment sales	(1,644)	(5,093)	(4,679)	(8,168)
Total	8,673	38,306	20,528	46,592

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Segment Results				
Loss before tax				
Construction	(2)	(4,073)	(5)	(7,343)
Property development	2,282	1,701	2,290	1,125
Property investment	27	2	8	(68)
Trading and services	432	(1,234)	(2,371)	(2,396)
Investment holding and other	(6,174)	(21,074)	(56,893)	(27,726)
Total	(3,435)	(24,678)	(56,971)	(36,408)
Elimination of inter-segment items	(5,969)	977	31,616	(2,052)
Effect of deconsolidation of IECSB	-	-	201,045	-
Total	2,534	(23,701)	175,690	(38,460)

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 Period 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 announced 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 transaction has been duly completed on 8 February 2023.
- (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.

On 27 February 2023, the Company has submitted an application to Bursa Securities for an extension of time (“EOT”) to finalize its PN17 Regularisation Plan. The Company is currently waiting for the outcome of its request for the EOT.

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

- (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.
- (g) On 21 December 2022, the Company completed the disposal of its wholly-owned subsidiary Ireka iCapital Sdn Bhd (“ICAP”) together with ICAP’s four subsidiary companies namely iTech ELV Solutions Sdn Bhd, i-Tech Network Solutions Sdn Bhd, Ireka Venture Capital Ltd and e-Auction Sdn Bhd for a cash consideration of RM1. The transaction gave rise to a gain on disposal of RM31.9 million, detailed as follows:

Description	RM’000	RM’000
Disposal consideration		-*
Add: Carrying value of net liabilities disposed		
Total Assets	(6,643)	
Total Liabilities	<u>44,486</u>	37,843
Less: Reversal of permanent consolidation adjustments		(5,960)
Gain on disposal		<u>31,883</u>

*Disposal consideration is RM1

- (h) On 9 January 2023, the Board of Directors of the Company announced that IECSB has filed a notice to discontinue the IJM at the High Court of Kuala Lumpur (“the High Court”) as the viability of maintaining IECSB as a going concern is no longer an achievable exercise. The IJM has filed an application to the High Court to discharge his position as the IJM of IECSB which has been acknowledged on 16 February 2023. Management will continue working with the advisors to ensure the closure of this matter can be resolved expeditiously.

A12 Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter under review except as follows:

- (a) On 21 December 2022, the Company has disposed of its wholly-owned subsidiary namely Ireka iCapital Sdn Bhd (“ICAP”) together with its four subsidiaries to a third party for a cash consideration of RM1.

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 Period Ended 31.12.2022 RM	Financial Year Ended 30.06.2022 RM
Corporate guarantees given by ICB for all credit facilities taken by subsidiaries	18,302,801	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

As reported by Bank Negara Malaysia, the Malaysian economy grew slower in the final quarter of 2022 7% (Q3 2022: 14.2%) as support from the stimulus measures and low base effect waned. The services and manufacturing sectors continued to drive growth. Overall, the Malaysian economy expanded by 8.7% in 2022. Global investor sentiments on the ringgit and regional currencies have also been somewhat lifted by the reopening of China's economy and its expected positive economic spill overs to the region. These encouraging global developments and greater domestic political certainty after the formation of the new Government in November 2022 led to a stronger ringgit against the US dollar.

However during the period under review, the Group is still in the transition phase of putting in place strategies to address the PN17 Regularisation Plan such as resolving the IECSB's debt restructuring conundrum, disposing non-core loss making subsidiaries and monetising some of the assets including securing new joint venture partners. These efforts are important to build a strong foundation to turn around the Group's financial and operational performance in the near future.

The Group recorded a lower revenue of RM20.5 million for the financial period ended 31 December 2022, as compared to RM46.6 million for the preceding year corresponding period, representing a decrease of approximately 56%. This was mainly due to no revenue recognition in construction segment and lower revenue recognition in property development segment as a result of IECSB's deconsolidation.

The property development segment reported revenue of RM18.1 million for the current period to date, compared to RM24.5 million last year, representing a total drop of approximately 26%.

The trading and services segment comprised mainly IT solutions, property development management and services divisions. Revenue for the current period dropped to RM3.1 million, from RM5.8 million in the preceding year corresponding period.

The investment holding and other segment has recorded higher revenue at RM3.6 million for the current period to date, representing a total increase of approximately 100% mainly due to higher management fees chargeable to subsidiary companies.

For the financial period ended 31 December 2022, the Group recorded pre-tax profit of RM175.7 million compared to pre-tax loss of RM38.5 million in the preceding year corresponding period. The pre-tax profit for the current quarter is substantially represented by the effect of deconsolidation of IECSB and gain on disposal of all equity interests in ICAP Group as mentioned earlier.

B1 Review of Performance (continued)

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

The Group achieved revenue of RM8.7 million in the current quarter as compared to RM38.3 million in the preceding year corresponding quarter, representing a decrease of approximately 27%, which was mainly due to no revenue recognition in construction segment.

For the current quarter ended 31 December 2022, the Group recorded a pre-tax profit of RM2.5 million as compared to pre-tax loss of RM23.7 million in the preceding year corresponding quarter, mainly due to the financial effect of deconsolidation of IECSB and disposal of all equity interests in ICAP Group as mentioned above.

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

The Group recorded lower revenue of RM8.7 million in the second quarter of financial period ended 31 December 2022, compared to RM11.9 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 lower pre-tax profit of RM2.5 million during the current quarter compared to a pre-tax loss of RM173.2 million in the immediate preceding quarter. This quarter's lower pre-tax profit was due to the absence of the one-off huge impact of deconsolidation of IECSB recognized in the immediate preceding quarter.

B3 Prospects for the Current Financial Year

As we enter the year 2023, the Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment. Based on a recent report by BNM, Malaysia will not go into a recession in 2023 but the overall outlook is subject to risks related to weaker-than-expected global growth, further escalation of geopolitical tensions and worsening supply chain disruptions. The construction sector would continue to expand, albeit at a slower pace, underpinned by continued progress of multi-year key infrastructure projects such as ECRL, LRT3 and Pan Borneo Highway.

The completion of the disposal of a wholly-owned subsidiary, ICAP together with its four subsidiaries on 21 December 2022 is another step towards revamping the overall Group's structure and business model. This transaction which resulted in a one-off gain on disposal of RM31.9 million would allow the management to refocus our technology efforts from IT-managed business to expand into a more lucrative digital solution development.

B3 Prospects for the Current Financial Year (continued)

In the meantime, the Group will continue to look out for new opportunities to enhance its construction order book value. As part of the plan to strengthen our base, we are also at a discussion stage of securing a new joint venture partner/investor to co-develop new development projects on a joint-venture basis. At the same time, the Group is progressing ahead to complete the preliminary works so that all the new development projects that we have so far secured in Terengganu and Penang would be able to be launched by end of this calendar year.

On the property development front, the Group has three on-going projects. The first 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 RM216.6 million. The second 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. The final project is ASTA Enterprise Park with GDV of RM252.3 million comprising 34 units of multi-functional industrial units and 11 parcels of land, of which all 34 industrial units and 10 parcels of land have been sold.

The Group is also closely monitoring the latest development arising from the announcement of the revised Budget 2023 which was presented by the YAB Prime Minister on 24 February 2023. The Budget amongst others, reaffirmed the Government's support towards addressing the issue of home ownership especially for low-income group. Various incentives to property developers and house buyers have also been introduced and/or extended to stimulate the supply and demand of new houses in the country. In 2023, Syarikat Jaminan Kredit Perumahan Berhad ("SJKP") will provide government guarantee facility for loans with value up to RM5 billion which will benefit 20,000 borrowers with no fixed income.

As mentioned earlier in Note A11(e), the Company has recently submitted an application to Bursa Securities for an EOT to finalize its PN17 Proposed Regularisation Plan. The approval of the EOT is important for the Group to continue its transformation journey towards making ICB Group a sustainable, profitable, and viable business going forward.

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

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

Not applicable.

B5 Profit/(Loss) for the Period

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

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and Equipment	76	255	161	1,084
Loss on disposal of property, plant and equipment	-	45	-	45
Plant and equipment written off	4	104	1	104
Net foreign exchange Loss	1,586	1	18	1,903
Loss on disposal of investment in a joint venture	-	4,650	-	4,650
Fair value (gain)/loss of a quoted investment	(535)	13,463	8,159	17,273
Impairment loss on reclassification of associated company to an investment	-	-	-	25,905
Interest expense	590	1,111	1,210	2,926
Interest income	(455)	(504)	(502)	(530)
Provision for financial guarantee	6,071	-	21,859	-
Effect of deconsolidation of IECSB	23,178	-	(177,867)	-
Gain on disposal of ICAP Group (Note A11(g))	(31,883)	-	(31,883)	-

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	6 Months Ended	6 Months Ended
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax Expense	(537)	(613)	(704)	(763)
	(537)	(613)	(704)	(763)

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.

B7 Status of Corporate Proposals (continued)

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.
- (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 30.12.2022 RM'000	Unaudited As at 31.12.2021 RM'000
(a) Short term borrowings		
<i>Secured:-</i>		
Term loans	12,500	12,500
Finance lease liabilities/Hire purchase	-	3,331
Trade finance	-	9,116
Bank overdrafts	-	9,963
Revolving credit	-	21,678
	12,500	56,588
(b) Long term borrowings		
<i>Secured:-</i>		
Term loans	-	8,095
Finance lease liabilities/Hire purchase	6,062	5,292
Redeemable convertible preference shares	67,608	-
	73,670	14,197
(c) Total borrowings	86,170	70,785

B9 Material Litigations

**(a) Kuala Lumpur High Court Civil Suit No: WA-22NCC-531-10/2022
Between ASPL M9 Limited (“ASPL M9”) (as Plaintiff) and ICB (as Defendant)**

On 26 October 2022, ICB was served with a copy of writ summon and statement of claim by ASPL M9. The Plaintiff’s suit is premised on a few cause of action, among others, ICB’s alleged breach of a written joint venture agreement and unwritten joint venture entered between ICB, ASPL M9 and Urban DNA Sdn Bhd (“UDNA”) in relation to the development of Ruma Hotel & Residences.

Based on the writ summons, ASPL M9 is claiming, inter alia:

1. The sum of RM39,628,439 being the amount allegedly advanced by ASPL M9 on behalf of ICB pursuant to the JVA and interest of RM24,788,765;
2. The sum of RM11,451,903 being the amount allegedly advanced by ASPL M9 on behalf of ICB pursuant to the unwritten JVA and interest of RM7,163,505; and
3. The sum of RM14,880,705 being the alleged wrongful repayments made by UDNA to ICB.

Both parties are currently in the midst of negotiating a settlement through their respective appointed solicitors.

B9 Material Litigations (continued)

**(b) Kuala Lumpur High Court Civil Suit No: WA-22NCC-37-02/2023
Between Hong Leong Bank Berhad (“HLBB”) (as Plaintiff), IECSB (as First Defendant) and ICB (as Second Defendant)**

On 15 February 2023, ICB and IECSB were served with a copy of writ summons and statement of claim from HLBB. Under the writ summons, IECSB is named as the first defendant while ICB is named as the second defendant.

HLBB’s suit is premised on a banking facility provided by HLBB to IECSB as the main contractors for the main building works of 10-storey extension block of the Regency Specialist Hospital, Johor (“the Project”). ICB had provided a corporate guarantee in favour of HLBB as security for the repayment of the banking facilities, whereby ICB undertake to pay to HLBB all monies owing by IECSB under the banking facilities.

As previously announced on 4 and 6 January 2023, when IECSB’s employment under the Project was terminated by the Regency Specialist Hospital Sdn Bhd (“RSH”), the Performance Bond issued by HLBB for IECSB was called by RSH. As a result of the calling of the aforesaid Performance Bond, it was alleged that IECSB and ICB have defaulted in its obligations to make payments to HLBB as required under the banking facilities.

Based on the writ summons, HLBB is claiming, inter alia:

1. The sum of RM5,680,318.17 under the Performance Bond;
2. The sum of RM478,425.60 under the Overdraft – Contract; and
3. The sum of RM294,828.13 under the Overdraft/Progress Claim.

The Company is now in the midst of appointing a solicitor to refute and resist the suit. Furthermore, as announced on 16 February 2023, the Company in its capacity as the Corporate Guarantor had written to the Bank on 13 February 2023 proposing for a Settlement Agreement at which negotiation is still ongoing with the Bank to restructure and reschedule the claimed amount.

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	6 Months Ended	6 Months Ended
31.12.2022	31.12.2021	31.12.2022	31.12.2021

Basic

Profit/(Loss) for the quarter attributable to owners of the Company (RM'000)	2,185	(24,102)	174,916	(38,998)
Weighted average number of ordinary shares	208,160,270	201,787,839	208,160,270	201,787,839
Basic earnings/(loss) per share (sen)	1.05	(11.94)	84.03	(19.33)

By Order of the Board
IREKA CORPORATION BERHAD
ALIZA BINTI AHMAD TERMIZI
 Company Secretary
 Kuala Lumpur
 27 February 2023