

IDEAL CAPITAL BERHAD (1215261-H)
(formerly known as Ideal United Bintang International Berhad)

Interim report for the third quarter ended 30th September 2022
(These figures have not been audited)

PART A – Compliance with Malaysia Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of new International Financial Reporting Standards Compliant framework, Malaysia Financial Reporting Standards (MFRS), MFRS 134 – “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These explanatory notes attached to the interim financial statements provide an explanation of the 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 2021.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted for the interim financial statement are consistent with those of the audited financial statements for the year ended 31 December 2021. The Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for the current financial year:

Amendments to MFRS 16	Covid-19-Related Rent Concessions
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest rate Benchmark Reform – Phase 2
IFRIC Agenda Decision on MFRS 123	Borrowing Costs

Adoption of the above amendments to MFRSs did not have any significant impact on the financial statements of the Group.

A3. Auditor’s Report on Preceding Annual Financial Statements

The Financial Statements of the Group for the preceding financial year ended 31 December 2021 were not subject to any qualification.

A4. Comments about the Seasonality or Cyclicity of Interim Operation.

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

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A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows & Sensitivity Analysis of Market Risk

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows and sensitivity analysis of market risk that were unusual because of their nature, size or incidence for the current quarter.

A6. Changes in Estimates

There were no changes in estimates that had any material effect to the financial statements in the period under review.

A7. Issuance, Cancellation, Repurchase, Resale and Repayment of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resales and repayments of debts and equity securities in the current quarter and financial year to date under review.

A8. Dividends Paid

No dividends have been paid by the Company in the current quarter and financial year to date.

A9. Operating Segment Information

The Group has three business segments of which the revenue and result of business segments for the current quarter and financial year to date were as follows. As overseas machinery segment no longer meet the quantitative thresholds in accordance to FRS 8, Operating Segments, we have now combined the local machinery and overseas machinery under General Trading.

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-----3 months ended 30-9-2022-----

Business segments	Property Development	General Trading	Property Investment & Project Management	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	96,259	-	3,034	99,293
Inter-segment	-	-	-	-
	96,259	-	3,034	99,293
Results:				
Segment results (external)	11,806	216	(1,164)	10,858
Unallocated expenses				-
Profit/(Loss) before tax				10,858

-----Cumulative 9 months ending 30-9-2022-----

Business segments	Property Development	General Trading	Property Investment & Project Management	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	289,224	12	10,524	299,760
Inter-segment	-	-	-	-
	289,224	12	10,524	299,760
Results:				
Segment results (external)	38,085	487	(2,754)	35,818
Unallocated expenses				-
Profit/(Loss) before tax				35,818

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A10. Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant, and equipment since the previous audited financial statements.

A11. Material Subsequent Events

There were no material events subsequent to the end of interim period that have not been reflected in the financial statements for the interim period.

A12. Effects of Changes in Composition of Group

There were no changes in the composition of the Group during the interim period including business combination, disposal of subsidiaries and long-term investments, restructuring and discontinued operations.

A13. Contingent Liabilities and Contingent Assets

There have been no changes in contingent liabilities and contingent assets since the last audited financial statements for the financial year ended 31 December 2021.

A14. Capital Commitments

There were no material capital commitments since the last audited financial statements for the financial year ended 31 December 2021.

A15. Related Party Transactions

There were no significant related party transactions in the interim financial statements.

A16. Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 180 days term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Trade receivables that are past due but not impaired relate to a number of independent customers from whom there are no recent history of default.

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PART B – Explanatory Notes Pursuant to Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

B1 Review of Performance

The Group recorded total revenue of RM99.293 million for the current quarter under review compared to RM97.092 million in the corresponding preceding quarter. This represents an increase of 2%. 1st Avenue Mall recorded total rental income of RM3.034 million for the current quarter.

The group achieved a profit after tax of RM6.083 million attributable to the owners as compared to profit after tax of RM21.985 million in the corresponding preceding quarter. The decrease is due to the active construction of The Amarene project in the corresponding preceding quarter, which was then completed in year 2021. The decrease in profit is mainly caused by the development of affordable homes.

B2 Material changes in Profit before Tax for Current Quarter as Compared to the Preceding Quarter.

	Current Quarter Ended 30.9.22 RM '000	Preceding Quarter Ended 30.6.22 RM '000
Revenue	99,293	106,005
Profit/ (Loss) before Tax	10,858	15,076

For the current quarter under review, revenue decreased by 6% from RM106.005 million in the immediate preceding quarter to RM99.293 million. Profit before tax of RM10.858 million was recorded for the current quarter.

Ideal Residency, an affordable homes project strategically located in the heart of Penang, has garnered positive response with commendable take up rate to-date. Sales of this development in the heart of Penang Island has reached 93% and construction is currently at 37% of completion.

In addition to that, Havana Beach Residences is a beach-inspired affordable home development in Bayan Lepas, the fastest growing district in Penang. Sales is very encouraging at 81% and construction is currently at 37% of completion.

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B3. Prospects

Barring unforeseen circumstances, The Board is expecting the property development sector to contribute further to the revenue and profit of the Group for the financial year ending 31 December 2022 with the progress of Ideal Residency and Havana Beach Residences. Besides, the Group has now embarked on the selling of industrial lands with the announcement that the two subsidiaries, Lestari Duta Sdn Bhd and Mujur Sinarjaya Sdn Bhd (both of which are 70% owned) to purchase 17 parcels of freehold land for subdivision and sale.

B4. Variance of Profit Forecast and Profit Guarantee

Not applicable as the Group had not disclosed any profit forecasts or made any profit guarantees.

B5. Statement of the Board of Directors' Opinion as to whether Revenue or Profit Estimate, Forecast, Projection or Internal Targets are likely to be achieved.

Not applicable as the Group has not announced or disclosed in a public document any revenue or profit estimate, forecast, projection or internal targets.

B6. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
	RM'000	RM'000	RM'000	RM'000
Current year	5,080	8,201	12,498	14,328

For the quarter under review, the tax is approximate the statutory tax rate for the profitable subsidiary as the business losses carrying in the parent company cannot be utilised to set off the tax arisen from the profit in property sector.

B7. Status of Corporate Proposals

On 28 January 2022, the Company announced that two of its subsidiaries (both of which are 70% owned), namely Lestari Duta Sdn Bhd (“LDSB”) and Mujur Sinarjaya Sdn Bhd (“MSSB”), had on 27 January 2022 entered into two (2) conditional sale and purchase agreements (“SPA”) with Aspen Bell Avenue Sdn Bhd (“Vendor”) to acquire 17 parcels of freehold land situated in Daerah Seberang Perai Utara, Negeri Pulau Pinang.

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- i) Proposed acquisition by LDSB of all those 7 parcels of freehold lands situated in Mukim 6, Daerah Seberang Perai Utara, Negeri Pulau Pinang held under GM 983 Lot 253, GM 984 Lot 254, GM 985 Lot 255, HSD 25059 Lot 12453, GM 216 Lot 250, GM 217 Lot 251 and GM 218 Lot 252 measuring approximately 20,350,035 square feet (“Tranche A Lands”), for a total cash consideration of RM254,633,990.00, subject to the terms and conditions of the sale and purchase agreement between the Vendor and LDSB; and
- ii) Proposed acquisition by MSSB of all those 10 parcels of freehold lands situated in Mukim 3, Daerah Seberang Perai Utara, Negeri Pulau Pinang held under GM 305 Lot 12, GM 306 Lot 13, GM 307 Lot 14, GM 308 Lot 15, GM 309 Lot 16, GM 310 Lot 17, GM 1442 Lot 1676, GM 1929 Geran 148439 and GM 4049 Lot 20134 measuring approximately 15,994,570 square feet (“Tranche B Lands”) for a total cash consideration of RM220,725,066.00 subject to the terms and conditions of the sale and purchase agreement between the Vendor and MSSB.

B8. Group Borrowings and Debt Securities

	As at 3rd quarter ended 30.9.2022		
	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Bank Borrowings *	4,975	-	4,975
Long Term Bank Borrowings #	95,302	-	95,302
Redeemable Convertible Preference Shares	-	1,196	1,196
	100,277	1,196	101,473

	As at 3rd quarter ended 30.9.2021		
	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Bank Borrowings *	4,806	-	4,806
Long Term Bank Borrowings #	103,140	-	103,140
Redeemable Convertible Preference Shares	-	6,881	6,881
	107,946	6,881	114,827

* consist of hire purchase

consist of hire purchase and term loan

B9. Other Income

Other income consists mainly of bank interest received, late payment interest and forfeited deposits from cancellation of sales.

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B10. Notes to the Statement of Comprehensive Income

	Current Quarter 30/9/2022 RM'000	Cumulative 9 months ended 30/9/2022 RM'000
a) Interest Income	193	1,598
b) Other income including investment income	571	1,632
c) Interest expense	1,053	4,026
d) Depreciation and amortization	n/a	n/a
e) Provision for and write off of receivables	n/a	n/a
f) Provision for and write off of inventories	n/a	n/a
g) Properties, plant & equipment written off	n/a	n/a
h) Gain/(loss) on disposal of properties, plant & equipment	n/a	n/a
i) Gain/(loss) on disposal of quoted and unquoted Investment or Properties	n/a	n/a
j) Gains on fair value changes of Investment Properties	n/a	n/a
k) Foreign exchange loss	n/a	n/a
l) Gain/(loss) on derivatives	n/a	n/a
m) Exceptional items (with details)	n/a	n/a

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B11. Changes in Material Litigations

There was no pending material litigation within the 7 days before the date of issue of this report.

B12. Dividend

The board of directors have not proposed any dividend for the current financial period ended 31 December 2022.

B13. Earnings Per Share

	3 months ended		Cumulative 9 months ended	
	30-9-2022	30-9-2021	30-9-2022	30-9-2021
(a) Basic earnings per share				
Profit/(loss) for the period attributable to owners of the Company (RM'000)	6,083	21,985	24,284	34,077
Number of ordinary shares in issued ('000)	500,000	465,739	500,000	465,739
Basic Earnings per share (sen)	1.22	4.72	4.86	7.33
(b) Diluted earnings per share				
Diluted Earnings per share (sen)	-	4.05	-	6.01

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B14. Realised and Unrealised Profit/(Losses)

	As at 30-9-2022 RM'000	As at 30-9-2021 RM'000
Total accumulated profit of the Company and its subsidiary		
- Realised	109,851	59,719
- Unrealised	<u>2,294</u>	<u>2,294</u>
Total group accumulated profit as per consolidated accounts	<u><u>112,145</u></u>	<u><u>62,013</u></u>

By Order of the Board

LIM CHOO TAN
(LS 0008888)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 29 Nov 2022