

IREKA CORPORATION BERHAD (Company No. 25882-A)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2018

	Unaudited Current Year Quarter 30.9.2018 RM'000	Audited Preceding Year Corresponding Quarter 30.9.2017 RM'000	Unaudited Current Year To Date 30.9.2018 RM'000	Audited Preceding Year Corresponding Period 30.9.2017 RM'000
Revenue	48,549	69,498	131,423	143,482
Cost of sales	(43,136)	(60,977)	(117,249)	(126,347)
Gross profit	5,413	8,521	14,174	17,135
Other income	618	1,133	3,418	1,789
Expenses	(7,821)	(7,564)	(19,214)	(12,964)
Operating (loss)/profit	(1,790)	2,090	(1,622)	5,960
Finance costs	(978)	(1,196)	(1,908)	(2,300)
Share of profit of associates	485	2,461	1,784	764
(Loss)/profit before tax	(2,283)	3,355	(1,746)	4,424
Income tax expense	(146)	(194)	(181)	(409)
(Loss)/profit for the period	(2,429)	3,161	(1,927)	4,015
Other comprehensive (loss)/income:-				
Currency translation differences	(36)	152	(121)	62
Other comprehensive (loss)/income for the financial period, net of tax	(36)	152	(121)	62
Total comprehensive (loss)/income for the period	(2,465)	3,313	(2,048)	4,077
(Loss)/profit attributable to:-				
Owners of the Company	(2,346)	3,161	(1,813)	4,015
Non-controlling interest	(83)	-	(114)	-
	(2,429)	3,161	(1,927)	4,015
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	(2,382)	3,313	(1,934)	4,077
Non-controlling interest	(83)	-	(114)	-
	(2,465)	3,313	(2,048)	4,077
(Loss)/earnings per share attributable to owners of Company:-				
- basic (sen)	(1.26)	1.85	(0.97)	2.35
- diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2018 and the accompanying explanatory notes attached to the Interim Statements)

Other information:-

Operating (loss)/profit	(1,790)	2,090	(1,622)	5,960
Gross interest income	350	58	541	275
Gross interest expense	(978)	(1,196)	(1,908)	(2,300)

IREKA CORPORATION BERHAD (Company No. 25882-A)**Condensed Consolidated Statement of Financial Position as at 30 September 2018**

	Unaudited As At 30.9.2018 RM'000	Audited As At 31.3.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,377	28,912
Investment properties	12,058	6,352
Investment in associates	103,117	102,001
Other investments	42	42
Land held for property development	11,321	27,205
	<u>153,915</u>	<u>164,512</u>
Current assets		
Property development costs	123,704	95,927
Inventories	10,095	13,350
Trade and other receivables	164,195	160,925
Amounts due from customers on contracts	11,985	8,678
Amounts due from associates	14,887	14,895
Cash and cash equivalents	35,503	25,503
	<u>360,369</u>	<u>319,278</u>
TOTAL ASSETS	<u>514,284</u>	<u>483,790</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	181,288	180,049
Reserves	(22,593)	(22,662)
	<u>158,695</u>	<u>157,387</u>
Non-controlling interest	27,644	-
Total equity	<u>186,339</u>	<u>157,387</u>
Non-current liabilities		
Borrowings	41,516	33,665
Deferred tax liabilities	3,222	3,222
	<u>44,738</u>	<u>36,887</u>
Current liabilities		
Trade and other payables	220,229	224,310
Amounts due to customers on contracts	-	462
Amounts due to associates	-	-
Borrowings	55,390	52,256
Overdrafts	7,030	11,804
Tax payable	558	684
	<u>283,207</u>	<u>289,516</u>
Total liabilities	<u>327,945</u>	<u>326,403</u>
TOTAL EQUITY AND LIABILITIES	<u>514,284</u>	<u>483,790</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2018 and the accompanying explanatory notes attached to the Interim Statements)

Other Information:-

Net assets per share (RM)	<u>0.85</u>	<u>0.84</u>
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IREKA CORPORATION BERHAD (Company No. 25882-A)

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 September 2018

-----Attributable to owners of the Company----->

----- Non-distributable -----> <-Distributable->

	Share Capital RM'000	Warrant Reserve RM'000	Other Reserve RM'000	Foreign Currency Translation Reserve RM'000	(Accumulated Losses) RM'000	Total Equity Attributable to Owners of the Company RM'000	Non-Controlling Interest RM'000	(Unaudited) Total Equity RM'000
6 months ended 30.9.2018 (Unaudited)								
Balance as at 1.4.2018	181,288	5,696	(5,696)	(1,147)	(22,754)	157,387	-	157,387
Dilution of equity interest	-	-	-	-	-	-	25,000	25,000
Partial disposal of a subsidiary	-	-	-	-	3,242	3,242	2,758	6,000
Total comprehensive loss for the period	-	-	-	(121)	(1,813)	(1,934)	(114)	(2,048)
Balance as at 30.9.2018	181,288	5,696	(5,696)	(1,268)	(21,325)	158,695	27,644	186,339

-----Attributable to owners of the Company----->

----- Non-distributable -----> <-Distributable->

	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Other Reserve RM'000	Foreign Currency Translation Reserve RM'000	(Accumulated Losses) RM'000	Total Equity Attributable to Owners of the Company RM'000	Non-Controlling Interest RM'000	(Unaudited) Total Equity RM'000
6 months ended 30.9.2017 (Audited)									
Balance as at 1.4.2017	170,872	1,385	5,696	(5,696)	(1,404)	(26,755)	144,098	-	144,098
Total comprehensive income for the period	-	-	-	-	62	4,015	4,077	-	4,077
Balance as at 30.9.2017	170,872	1,385	5,696	(5,696)	(1,342)	(22,740)	148,175	-	148,175

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2018 and the accompanying explanatory notes attached to the Interim Statements)

Condensed Consolidated Statement of Cash Flows for the financial period ended 30 September 2018

	Unaudited	Audited
	Current Year	Preceding Year
	To Date	Corresponding
	30.9.2018	Period
	RM'000	30.9.2017
		RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(1,746)	4,424
Adjustments for:		
Depreciation of property, plant and equipment	1,593	1,971
Property, plant and equipment written off	42	6
(Gain)/loss on disposal of property, plant and equipment	(543)	341
Gain on fair value changes of investment property	(1,784)	-
Loss on disposal of investment property	-	630
Share of profit of associates	(1,784)	(764)
Interest expense	1,908	2,300
Interest income	(541)	(275)
Unrealised loss on foreign exchange	-	115
Operating (loss)/profit before changes in working capital	(2,855)	8,748
Working capital changes:		
Property development costs	(27,778)	(3,769)
Inventories	3,255	2,113
Receivables	(7,292)	(16,549)
Amount due from customers on contracts	(3,770)	26,146
Amount due from associates	8	(10)
Payables	(3,413)	19,310
Cash (used in)/generated from operations	(41,845)	35,989
Income tax paid	(201)	(1,774)
Net cash (used in)/generated from operating activities	(42,046)	34,215
Cash flows from investing activities		
Purchase of property, plant and equipment	(313)	(38)
Proceeds from disposal of property, plant and equipment	1,685	525
Proceeds from disposal of investment property	-	2,000
Land held for property development	15,883	(857)
Investment in associates	-	(105)
Interest received	541	275
Net cash generated from investing activities	17,796	1,800
Cash flows from financing activities		
Proceeds from disposal of subsidiary	6,000	-
Proceeds from issuance of new shares to non-controlling interest	25,000	-
Hire purchase principal repayments	(1,696)	(1,928)
Drawdown of bank borrowings	49,432	33,913
Repayment of bank borrowings	(37,678)	(51,393)
Interest paid	(1,908)	(2,300)
Net cash generated from/(used in) financing activities	39,150	(21,708)
Net increase in cash and cash equivalents	14,900	14,307
Effect of changes in exchange rates	(127)	(45)
Cash and cash equivalents as at beginning of financial period	13,700	(6,271)
Cash and cash equivalents as at end of financial period	28,473	7,991
Cash and cash equivalents as at end of financial period comprise the followings:-		
Cash and bank balances	35,503	21,889
Overdrafts	(7,030)	(13,898)
	28,473	7,991

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2018 and the accompanying explanatory notes attached to the Interim Statements)

A1 Basis of Preparation

The unaudited interim financial report has been prepared in accordance with *FRS 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 for the year ended 31 March 2018. 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 year ended 31 March 2018.

The Group is a Transitioning Entities due to its involvement in the development and construction of real estate. The Group has adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards from financial year beginning 1 April 2018.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 March 2018.

A3 Audit Report

The auditors' report on the financial statements for the financial year ended 31 March 2018 was not subject to any qualification.

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

There were no 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 and financial period ended 30 September 2018.

A8 Dividend Paid

No dividend was paid during the financial quarter ended 30 September 2018.

A9 Segmental Information

	Group revenue and results including Share of Associates			
	Individual Quarter 3 Months Ended		Cumulative Period 6 Months Ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Segment Revenue				
Revenue				
Construction	44,971	64,892	121,691	133,762
Property development	5,563	1,686	14,473	3,107
Property investment	224	199	454	366
Trading and services	3,889	5,986	9,337	12,026
Investment holding and other	3,179	2,828	7,284	5,550
Total	57,826	75,591	153,239	154,811
Elimination of inter-segment sales	(9,277)	(6,093)	(21,816)	(11,329)
Total	48,549	69,498	131,423	143,482
	Individual Quarter 3 Months Ended		Cumulative Period 6 Months Ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Segment Results				
(Loss)/profit before tax				
Construction	1,536	3,158	5,296	5,778
Property development	(160)	(64)	(494)	910
Property investment	621	(870)	668	(1,008)
Trading and services	(2,154)	(213)	(3,704)	(48)
Investment holding and other	263	1,719	4,712	(476)
Total	106	3,730	6,478	5,156
Elimination of inter-segment items	(2,389)	(375)	(8,224)	(732)
Total	(2,283)	3,355	(1,746)	4,424

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 Material Subsequent Events

There were no material events subsequent to the end of the current quarter.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

A13 Contingent Assets and Liabilities

(a) Contingent Assets

There were no contingent assets as at the end of the current quarter or at the preceding annual statement of financial position date.

(b) Contingent Liabilities

	Financial Quarter Ended 30.9.2018 RM	Financial Year Ended 31.3.2018 RM
(i) Corporate guarantees for credit facilities granted to the Group	42,660,939	35,872,223

A14 Capital Commitments

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

B1 Review of Performance

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

For the financial period ended 30 September 2018, the Group recorded revenue of RM131.423 million (after elimination of inter-segment sales of RM21.816 million) as compared to RM143.482 million (after elimination of inter-segment sales of RM11.329 million) for the preceding year corresponding period, representing a decrease of approximately 8.4%. Revenue for the current period is substantially attributable to the construction segment of the Group.

The revenue achieved by the construction segment is lower at RM121.691 million in the current period, compared to RM133.762 million in the preceding year corresponding period. The major contributors to the revenue in construction segment are The RuMa Hotel and Residences and a refurbishment project at Pantai Hospital Kuala Lumpur.

The property development segment recorded a higher revenue of RM14.473 million in the current period compared to RM3.107 million in the preceding year corresponding period. The revenue was mostly attributable to the industrial park development at ASTA Enterprise Park Kajang.

The trading and services segment comprised mainly IT solutions, property development management and services divisions. Revenue for the current period decreased by approximately 22%, mainly due to a reduction in management fees earned from Aseana Properties Limited (“ASPL”) subsequent to a restructuring of the management agreement between ASPL and Ireka Development Management Sdn Bhd (“IDM”). The revised fee structure which comprises a basic fee, a realisation fee and an incentive fee better aligns IDM’s interests with those of shareholders of ASPL by incentivising IDM to maximise sales proceeds and achieve the current disposal schedule for realisation of the Company’s remaining assets. The basic fee is a fixed at US\$75,000 and payable on a monthly basis, while the realisation fee and incentive fee are only payable upon achieving targets set by the shareholders of ASPL.

For the financial period ended 30 September 2018, the Group recorded pre-tax loss of RM1.746 million (after elimination of inter-segment items of RM8.224 million), compared to the preceding year corresponding period of pre-tax profit RM4.424 million (after elimination of inter-segment items of RM0.732 million). The main reason for the loss is due to losses incurred by IDM due to the significant reduction in management fee as previously highlighted, from RM6.978 million to RM2.430 million. The current results included a share of profit associates of RM1.784 million, made up of a share of loss of Aseana Properties Limited (“ASPL”) (a 23.07% associate of Ireka) of RM1.014 million (30 September 2017: Profit of RM1.673 million); a share of profit of Urban DNA Sdn Bhd (“Urban DNA”) (a 30% associate of Ireka) of RM4.446 million (30 September 2017: Loss of RM0.886 million) and a share of loss of The RuMa Hotel KL Sdn Bhd (“The RuMa”) (a 30% associate of Ireka) of RM1.648 million (30 September 2017: Loss of RM0.023 million), attributable to pre-opening expenses of The RuMa Hotel. Urban DNA has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018.

B1 Review of Performance (continued)

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

ASPL's loss is mainly due to operating losses and finance costs of its three operating assets, being City International Hospital HCMC, Four Points by Sheraton Sandakan Hotel and Harbour Mall Sandakan.

The construction segment recorded a lower profit of RM5.296 million (30 September 2017: Profit of RM5.778 million) before elimination of inter-segment items of RM4.621 million (30 September 2017: RM0.938 million). This was mainly attributable to lower operating margin achieved during the period.

The property development segment recorded a loss of RM0.494 million (30 September 2017: Profit of RM0.910 million), before elimination of inter-segment items of RM0.369 million (30 September 2017: RM0.611 million). The loss was due to marketing expenses incurred for KaMi Residences, located in Mont Kiara, and DWI@Rimbun Kasia, located in Nilai.

The trading and services segment recorded a loss of RM3.704 million (30 September 2017: Loss of RM0.048 million), before elimination of inter-segment items of RM0.280 million (30 September 2017: RM0.403 million). The loss is mainly due to lower management fee income received by IDM as stated in Item B1 above.

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

The Group achieved a lower revenue of RM48.549 million in the current quarter as compared to RM69.498 million in the preceding year corresponding quarter. This was substantially due to lower contributions from construction segment and lower IDM management fee in the current quarter.

For the financial quarter ended 30 September 2018, the Group recorded a pre-tax loss of RM2.283 million as compared to a pre-tax profit of RM3.355 million in the preceding year corresponding quarter. The reason for the lower profit was as mentioned in Item B1(a) above.

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

The Group recorded lower revenue of RM48.549 million in the second quarter of financial year ending 31 March 2019, compared to RM82.874 million in the immediate preceding quarter. This is mainly due to lower turnover achieved by the construction segment.

The Group recorded a pre-tax loss of RM2.283 million compared to a pre-tax profit of RM0.537 million in the last quarter. The pre-tax loss is attributable to reasons mentioned in Item B1(a) above.

B3 Prospects for the Current Financial Year

As at 30 September 2018, the Group's construction order book stood at about RM683 million, of which about RM323 million remained outstanding. In April 2018, the Group secured a contract from Pantai Medical Centre Sdn Bhd to construct a new medical block at Pantai Hospital Ayer Keroh for a contract sum of about RM92 million. In August 2018, the Group secured a contract from Meadowfield Sdn Bhd to construct a block of 9-storey building consisting of 382 apartment units at DWI@Rimbun Kasia, Nilai for a contract sum of RM78.396 million. The Group continues to actively tender for external construction contracts to replenish its order book and also expects construction works to be generated internally from its property development division.

On the property development front, the Group has 3 on-going projects. The first project is The RuMa Hotel and Residences, KLCC ("The RuMa"), 70% owned by ASPL and 30% by the Group, which has obtained Certificate of Completion and Compliance on 28 September 2018. The second project is ASTA Enterprise Park located at Bukit Angkat Kajang, comprising 36 units of multi-functional industrial units and 8 parcels of land. Lastly, the KaMi Residences, Mont Kiara consisting of 168 units of residences which was launched in June 2018 under the I-Zen brand.

The Group is planning to launch another project in December 2018. This project, undertaken jointly with Hankyu Hanshin Properties Corp., is named Dwi@Rimbun Kasia, Nilai, and comprises 382 units of mid-market courtyard condominiums under the Group's mid-market zenZ brand.

It is expected that the Group will benefit from the profit and cash realisation from ASPL as the company successfully divest its portfolio of assets.

B4 Profit Forecast

The Group did not issue any profit forecast for the financial year ending 31 March 2019.

B5 (Loss)/profit for the Period

Included in (loss)/profit for the period are:-

	Individual Quarter		Cumulative Period	
	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	(803)	(979)	(1,593)	(1,971)
(Loss)/gain on disposal of property, plant and equipment	(23)	(326)	542	(340)
Property, plant and equipment written off	(42)	-	(42)	(6)
Loss on disposal of Investment property	-	(630)	-	(630)
Gain on fair value changes of investment property	1,784	-	1,784	-
Interest expense	(977)	(1,196)	(1,908)	(2,300)
Net foreign exchange gain/(loss)	66	(68)	184	-
Interest income	350	188	540	275

B5 (Loss)/Profit for the Period (continued)

Other than the above items, there were no exceptional items for the current quarter and financial period ended 30 September 2018.

B6 Taxation

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

	Individual Quarter 3 Months Ended		Cumulative Period 6 Months Ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Malaysian income tax expense	(146)	(194)	(181)	(409)
	(146)	(194)	(181)	(409)

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 suffered by certain subsidiaries and also utilisation of tax losses brought forward by the Company and its subsidiaries.

B7 Status of Corporate Proposals

There were no on-going corporate proposals during the financial period under review.

The issuance of new shares under the Subscription Agreement dated 4 December 2017 raised a total proceeds of RM9,176,962 and the status of utilisation is as follows :-

	Estimated timeframe for utilisation	Proposed utilisation (RM)	Actual utilisation (RM)	Balance (RM)
Working Capital	Within 12 months from receipt of funds	9,026,962	103,944	8,923,018
Related Expenses	Within 1 month from receipt of funds	150,000	150,000	0
Total		9,176,962	253,944	8,923,018

The actual related expenses exceeded the estimated amount by RM67,870 and the short fall was taken from the amount allocated for working capital.

B8 Group Borrowings and Debt Securities

	Financial Quarter Ended 30.9.2018 RM'000	Financial Quarter Ended 30.9.2017 RM'000
(a) Short term borrowings		
<i>Secured:-</i>		
Term loans	3,160	6,093
Hire purchase/leasing	2,617	3,346
Trade finance	26,613	23,529
Bank overdrafts	7,030	12,973
Revolving credit	23,000	22,000
	-----	-----
	62,420	67,941
	-----	-----
<i>Unsecured:-</i>		
Bank overdrafts	-	925
Revolving credit	-	1,000
	-----	-----
	62,420	69,866
	-----	-----
(b) Long term borrowings		
<i>Secured:-</i>		
Term loans	41,267	30,449
Hire purchase/leasing	249	1,694
	-----	-----
	41,516	32,143
	-----	-----
(c) Total borrowings	103,936	102,009
	=====	=====

For the financial quarter ended 30 September 2018, the Group's total borrowings have increased by RM1.927 million as compared to the preceding year financial quarter ended 30 September 2017. This increase is due to drawdown of a new loan for working capital, offset by repayment of certain project financing loans on the construction segment.

B9 Material Litigations

The Group was not engaged in any material litigation as at 23 November 2018.

B10 Dividend

On 28 November 2018, the Company paid a first and final single-tier dividend of 2 sen per share in respect of financial year ended 31 March 2018.

B11 Earnings per Share

	Individual Quarter		Cumulative Period	
	3 Months Ended		6 Months Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
(a) Basic				
(Loss)/profit for the period attributable to owners of the Company (RM'000)	(2,346)	3,161	(1,813)	4,015
Weighted average number of ordinary shares	186,708,050	170,872,050	186,708,050	170,872,050
Basic (loss)/earnings per share (sen)	(1.26)	1.85	(0.97)	2.35
(b) Diluted Earnings	N/A	N/A	N/A	N/A

Diluted earnings are not applicable as the Company has not issued any Employees Share Options and the exercise price of the warrants is higher than the average market price of the Company's ordinary shares.

By Order of the Board
IREKA CORPORATION BERHAD
WONG YIM CHENG
 Company Secretary
 Kuala Lumpur
 29 November 2018