



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2015

A1. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of Paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting.

These are the third interim financial statements on the consolidated results for the third quarter ended 30 September 2015 announced by the Company in compliance with the MMLR.

These interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants' Report for the financial year ended 31 December 2014 as disclosed in the Prospectus of the Company dated 30 June 2015.

In conjunction with the Company's listing on the Main Market of Bursa Securities, the Company undertook a listing scheme as disclosed in Note B7. The Group has applied book value accounting for the preparation of these interim financial statements since the combining entities are controlled by the same parties both before and after the combination. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The differences between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within group equity.

A2. Significant Accounting Policies

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



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- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements: Disclosure Initiative*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

A3. Auditors' Report

The reports of the auditors to the members of Ikhmas Jaya Group Berhad, and its subsidiary companies on the financial statements for the financial year ended 31 December 2014 were not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 174 of the Companies Act, 1965.

A4. Seasonality or Cyclicity of Interim Operations

The Group's results are not materially affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The financial performance of the Group during the current quarter ended 30 September 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event.



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A6. Material Effect of Changes in Estimates of Amounts Reported in Prior Interim Periods or Prior Financial Years

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements for the current period under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter ended 30 September 2015.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 September 2015.

A9. Segmental Reporting

The Group is predominantly involved in civil and building construction, which is the only reportable segment. Other non-reportable segments comprise manufacturing and sales of prefabricated building system. None of these segments met the quantitative thresholds for reporting segments in 2015 and 2014. All the Group's operations are carried out in Malaysia.

A10. Property, plant and equipment

Freehold land and assets under construction are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

A11. Significant Post Balance Sheet Event

Save as disclosed in Note B7 on the Status of Corporate Proposals, there were no material events as at 14 November 2015, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the current financial period under review.

A12. Significant Related Party Transactions

There were no significant transactions for the current quarter ended 30 September 2015 and preceding year corresponding quarter ended 30 September 2014.



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A13. Changes in Composition of the Group

Please refer **Note B7**.

A14. Contingent Liabilities

There were no material changes in contingent liabilities and contingent assets since the last audited financial statements for the financial year ended 31 December 2014 to 14 November 2015, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 14.11.2015 RM'000	As at 31.12.2014 RM'000
Performance bank guarantees	41,726	40,542
Bank guarantees for projects tendering	730	413
	42,456	40,955

A15. Capital Commitment

The material capital commitments were as follows:-

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Approved and contracted for	<u>3,600</u>	<u>3,600</u>



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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Performance of the Group

	Current financial period ended	Preceding year corresponding period ended
	30.09.2015	30.09.2014
	RM'000	RM'000
Revenue	204,279	198,538
Profit before taxation	30,062	20,131

The Group recorded a revenue of RM204.3 million for the current financial period ended 30 September 2015, an increase of RM5.8 million compared to RM198.5 million recorded in the preceding year corresponding period ended 30 September 2014.

The Group recorded a profit before tax of RM30.1 million for the current financial period ended 30 September 2015, an increase of RM10.0 million from the preceding year corresponding period ended 30 September 2014.

Profit before tax margin for the current financial period ended 30 September 2015 stood at 14.72%, compared to 10.14% for the preceding year corresponding period ended 30 September 2014.

The increase in both the revenue and profit before taxation for current financial period ended 30 September 2015 compared to preceding year corresponding period ended 30 September 2014 was mainly contributed by infrastructure projects.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended	Preceding quarter ended
	30.09.2015	30.06.2015
	RM'000	RM'000
Revenue	63,518	64,420
Profit before taxation	9,593	9,132

In the quarter under review, the Group recorded a decrease in revenue by RM0.9 million to RM63.5 million compared to RM64.4 million in the preceding financial quarter ended 30 June 2015.

The slight decrease in revenue was mainly a result of lower work done in a bore piling and foundation project which was offset by the increase in a few new projects that commenced during the current quarter under review.



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Despite the lower revenue generated in the quarter under review, the profit before tax for the current quarter ended 30 September 2015 has increased by RM0.5 million compared to the preceding quarter ended 30 June 2015. Profit before tax margin stood at 15.10% for the current quarter ended 30 September 2015 compared to 14.18% for the preceding quarter ended 30 June 2015.

The increase in profit before tax of 5.0% was mainly a result of the increase in contribution from an infrastructure project which has a relatively higher gross profit margin as well as the finalisation of the railway electrification and double tracking project in this quarter under review.

B3. Prospects

Barring unforeseen circumstances, the Group expects the performance for year 2015 to improve on the back of the continued growth expected from the piling and foundation services market in Malaysia.

Moving forward, the performance of the Group is expected to grow in line with the government's initiative to roll out infrastructure projects, as announced in the 11th Malaysian Plan.

B4. Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Profit Before Tax

Profit for the current quarter and current financial period is stated after charging/(crediting):-

	Current quarter ended 30.09.2015 RM'000	Current financial period ended 30.09.2015 RM'000
Depreciation of property, plant and equipment	2,764	7,773
Loss/(Gain) on disposal of property, plant and equipment	14	(26)
Finance income	(202)	(515)
Finance costs	1,294	4,188



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B6. Taxation

	Current quarter ended 30.09.2015	Current financial period ended 30.09.2015
	RM'000	RM'000
Current tax expense	<u>2,355</u>	<u>7,639</u>

B7. Status of Corporate Proposal

In conjunction with, and as an integral part of the Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

(i) Acquisition

Acquisition of Ikhmas Jaya Sdn Bhd

Acquisition by the Company of the entire issued and paid-up share capital in Ikhmas Jaya Sdn Bhd comprising 30,000,000 ordinary shares of RM1.00 each for total purchase consideration of RM98,499,900.00 which was entirely satisfied by the issuance of 393,999,600 new ordinary shares at an issue price of RM0.25 per share.

The Acquisition was completed on 3 June 2015.

(ii) Initial Public Offering

Public Issue

The Company undertook a public issue of 126,000,000 new ordinary shares, representing approximately 24.23% of the Company's enlarged issued and paid-up share capital at the IPO price of RM0.57 per share.

Upon the allotment and issuance of the Public Issue Shares pursuant to our IPO, our enlarged issued and paid-up capital of our Group will be RM130,000,000 comprising 520,000,000 shares.



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The gross proceeds arising from the Public Issue amounted to RM71.8 million. As at 30 September 2015, the Group has utilised RM56.7 million and the balance available for utilisation is RM15.1 million as shown below:

	Description	Timeframe for Utilisation	Amount (RM'000)	% of Total Gross Proceeds (%)	Amount utilised (RM'000)	Balance Available (RM'000)
(a)	Purchase of construction equipment	Within 24 months	31,820	44.31	21,710	10,110
(b)	Purchase of machinery and equipment for manufacturing of prefabricated building system	Within 24 months	5,000	6.96	-	5,000
(c)	Repayment of bank borrowings	Within 6 months	12,000	16.71	12,000	-
(d)	Working capital	Within 6 months	18,000	25.06	18,000	-
(e)	Estimated listing expenses	Immediate	5,000	6.96	5,000	-
	Total Public Issue Proceeds		71,820	100.00	56,710	15,110

Note: The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 30 June 2015.

Save as disclosed above, there were no pending corporate proposals up to 14 November 2015, being a date not earlier than 7 days from the date of this announcement.

B8. Investment in Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 30 September 2015.

B9. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investment and/or properties during the current quarter and financial period ended 30 September 2015.



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B10. Group Borrowings

The Group's borrowings as at 30 September 2015 are as follows:

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Finance lease liabilities	10,426	11,086	21,512
Secured term loans	689	6,218	6,907
Secured bank overdrafts	8,197	-	8,197
Unsecured bankers' acceptance/trust receipts	13,725	-	13,725
Factoring facility	9,212	-	9,212
	<u>42,249</u>	<u>17,304</u>	<u>59,553</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

B11. Realised/ Unrealised profits

	As at	As at
	30.09.2015	31.12.2014
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	88,828	65,946
- unrealised	-	-
Total retained earnings as per consolidated accounts	<u>88,828</u>	<u>65,946</u>

B12. Off Balance Sheet Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 14 November 2015, being a date not earlier than 7 days from the date of this announcement.

	As at	As at
	14.11.2015	31.12.2014
	RM'000	RM'000
Performance bank guarantees	<u>41,726</u>	<u>40,542</u>



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B13. Material Litigation

The Group does not have any material litigation as at 14 November 2015, being a date not earlier than 7 days from the date of this announcement

B14. Dividend

No dividend was declared for the current quarter and financial period ended 30 September 2015.

B15. Earnings per Share

The earnings per share for the current quarter and current financial period ended 30 September 2015 is computed as follows:-

	Current quarter ended 30.09.2015	Current financial period ended 30.09.2015
Profit for the quarter/period, attributable to owners of the parent (RM'000)	7,439	22,882
Weighted average number of ordinary shares in issue ('000)*	520,000	520,000
Basic Earnings Per Share (sen)	1.43	4.40

** Based on the issued share capital after the completion of the Acquisition and Initial Public Offering as detailed in Note B7(ii)*

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial period ended 30 September 2015.