

Ikhmas Jaya Group Berhad
(Company No. 1072872-D)
(Incorporated in Malaysia)

**Interim financial statements for first
quarter ended 31 March 2018**



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 31 March 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Period Ended 31 March 2018

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Current Quarter	Corresponding Quarter		
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:				
Revenue	83,671	72,589	83,671	72,589
Cost of sales	(68,547)	(68,073)	(68,547)	(68,073)
Gross profit	15,124	4,516	15,124	4,516
Other income	10	210	10	210
Administrative expenses	(3,918)	(3,039)	(3,918)	(3,039)
Other operating expenses	(1,959)	(951)	(1,959)	(951)
Finance income	139	132	139	132
Finance costs	(2,418)	(2,044)	(2,418)	(2,044)
Profit before taxation	6,978	(1,176)	6,978	(1,176)
Taxation	(2,034)	(797)	(2,034)	(797)
Profit for the period	4,944	(1,973)	4,944	(1,973)
Profit attributable to :				
Equity holders of the Company	5,181	(1,807)	5,181	(1,807)
Non-controlling interests	(237)	(166)	(237)	(166)
	4,944	(1,973)	4,944	(1,973)
Earnings per share (sen) attributable to owners of the parent:				
- Basic	0.95	(0.35)	0.95	(0.35)
- Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 31 March 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	(Unaudited)	(Audited)
	As at 31.3.2018	As at 31.12.2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	95,788	99,139
Investment	226	226
Investment property	12,690	4,420
Total non-current assets	<u>108,704</u>	<u>103,785</u>
Current assets		
Trade and other receivables	449,169	397,702
Inventories	287	232
Current tax assets	3,348	4,400
Cash and cash equivalents	31,351	30,382
Total current assets	<u>484,155</u>	<u>432,716</u>
TOTAL ASSETS	<u><u>592,859</u></u>	<u><u>536,501</u></u>
EQUITY AND LIABILITIES		
Share capital	182,542	173,992
Merger deficit	(68,500)	(68,500)
Retained profits	106,104	101,514
Equity attributable to holders of the company	<u>220,146</u>	<u>207,006</u>
Non-controlling interests	<u>(2,828)</u>	<u>(2,591)</u>
Total equity	<u>217,318</u>	<u>204,415</u>
Non-current liabilities		
Loans and borrowings	22,453	25,502
Deferred tax liabilities	9,971	9,727
Total non-current liabilities	<u>32,424</u>	<u>35,229</u>
Current liabilities		
Trade and other payables	213,576	201,180
Loans and borrowings	128,200	94,885
Current tax liabilities	1,341	792
Total current liabilities	<u>343,117</u>	<u>296,857</u>
Total liabilities	<u>375,541</u>	<u>332,086</u>
TOTAL EQUITY AND LIABILITIES	<u><u>592,859</u></u>	<u><u>536,501</u></u>
Net assets per share (RM)	0.40	0.39

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 31 March 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Period Ended 31 March 2018

	Attributable to the owners of the Company					Non-controlling interests	Total equity
	<----- Non-distributable ----->			Distributable			
	Share capital	Share premium	Merger reserve/(Deficit)	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017	130,000	36,747	(68,500)	97,185	195,432	(1,686)	193,746
Profit and total comprehensive income for the period	-	-	-	(1,807)	(1,807)	(166)	(1,973)
At 31 March 2017	130,000	36,747	(68,500)	95,378	193,625	(1,852)	191,773
At 1 January 2018	173,992	-	(68,500)	101,514	207,006	(2,591)	204,415
Effect of adoption of MFRS 9	-	-	-	(591)	(591)	-	(591)
At 1 January 2018, restated	173,992	-	(68,500)	100,923	206,415	(2,591)	203,824
Shares issued	8,550	-	-	-	8,550	-	8,550
Profit and total comprehensive income for the period	-	-	-	5,181	5,181	(237)	4,944
At 31 March 2018	182,542	-	(68,500)	106,104	220,146	(2,828)	217,318

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017



IKHMAS JAYA GROUP BERHAD (1072872-D)
Interim financial statements for the period ended 31 March 2018
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Period Ended 31 March 2018

	Current Financial Period	Preceding Year Corresponding Period
	31.3.2018 RM'000	31.3.2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit /(Loss) before taxation	6,978	(1,176)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	3,856	2,565
Depreciation of investment property	174	35
Property, plant and equipment written off	-	19
Finance costs	2,418	2,044
Finance income	(139)	(132)
Operating profit before changes in working capital	<u>13,287</u>	<u>3,355</u>
Changes in working capital:		
Inventories	(55)	145
Trade and other receivables	(60,504)	8,445
Trade and other payables	<u>12,398</u>	<u>(2,631)</u>
Cash (used in)/generated from operations	<u>(34,874)</u>	<u>9,314</u>
Tax paid	(189)	(1,480)
Tax refund	-	65
Interest paid	<u>(2,418)</u>	<u>(2,044)</u>
Net cash (used in)/generated from operating activities	<u>(37,481)</u>	<u>5,855</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(205)	(83)
Acquisition of investment property	-	(1,423)
Interest received	<u>139</u>	<u>132</u>
Net cash used in investing activities	<u>(66)</u>	<u>(1,374)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from/(Repayments of) from bankers' acceptances and trust receipts	21,996	(3,756)
Repayments of) /Proceeds from loans & other borrowings	(99)	9,939
(Proceeds from issuance of shares	8,550	-
Repayment of finance lease liabilities	(4,397)	(4,543)
(Increase)/Decrease in pledged fixed deposits	<u>(2,898)</u>	<u>(1,251)</u>
Net cash from generated financing activities	<u>23,152</u>	<u>389</u>
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(14,395)	4,870
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>(27,138)</u>	<u>(28,827)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	<u>(41,533)</u>	<u>(23,957)</u>
*Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits with licensed banks	31,050	25,274
Less: Pledged deposits	<u>(31,050)</u>	<u>(24,274)</u>
	-	1,000
Cash and bank balances	301	1,540
Bank overdrafts	<u>(41,834)</u>	<u>(26,497)</u>
	<u>(41,533)</u>	<u>(23,957)</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

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 first interim financial statements on the consolidated results for the first quarter ended 31 March 2018 announced by the Company in compliance with the MMLR.

These interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an 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 December 2017.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2017 except newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments.

A2. Changes in 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, 2016 in Malaysia.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to above changes. The two newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* has resulted in the following key changes to the financial statements:

MFRS 15, *Revenue from Contracts with Customers*

Currently, the Group and the Company recognise revenue from contracts with customers based on existing policy. Upon adoption of MFRS 15, the Group and the Company will recognise the revenue from contracts with customers on the basis when a customer obtains control of the goods or services that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Based on assessment performed, the Group and the Company do not expect any material financial impact arising from MFRS 15.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

A2. Changes in Accounting Policies (continued)

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but will have no impact on the classification and measurement of the Group's and the Company's financial liabilities.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. In general, it is anticipated that the application of the ECL model of MFRS 9 will result in early recognition of credit losses for the receivables and a negative adjustment has been made to opening retained earnings, which will decrease the equity and net assets of the Group. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impact of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first annual financial statements that include the date of initial application.

Retained earnings as at 1 January 2018	101,514
Expected Credit Loss on Trade and other receivables	(591)
Retained earnings as at the date of initial application on MFRS 9	<u>100,923</u>



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

A2. Significant Accounting Policies (continued)

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 2019

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 119, Employee Benefits – Plan Amendments, Curtailment or Settlement
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 123, Borrowing costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests In Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, Share-Based Payment
- Amendment to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets—Web Site Costs



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

A2. Significant Accounting Policies (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- 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*

A3. Auditor’s Report

The reports of the auditors to the members of Ikhmas Jaya Group Berhad (“IJGB”), and its subsidiary companies on the financial statements for the financial year ended 31 December 2017 were not subject to any qualification and did not include any adverse comments.

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 31 March 2018 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.

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 31 March 2018.

On 20 February 2018, a private placement of 15,000,000 new ordinary shares at RM0.57 per share was completed with the listing and quotation of the said shares on the Main Market of Bursa Securities and RM8,550,000 had been raised for purpose of working capital. As at the date of this announcement, the proceeds had been fully utilized.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 31 March 2018.

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 2018 and 2017. 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

There were no material events as at 23 May 2018, 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. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2018.

A13. Significant Related Party Transactions

There were no significant transactions for the current quarter ended 31 March 2018 and preceding year corresponding quarter ended 31 March 2017 except for the amount owing to Ikhmas Jaya Holdings Sdn Bhd (a controlling shareholder) as detailed below:

	As at 31.3.2018 RM'000	As at 31.3.2017 RM'000
Ikhmas Jaya Sdn Bhd	8,793	2,854
Rekavista Sdn Bhd	13	13
Ikhmas Equipment Sdn Bhd	-	115
MM2 Building System Sdn Bhd	1,010	1,010
Total	9,816	3,992

A14. Contingent Liabilities

There were no material contingent liabilities for the Group as at 31 March 2018.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

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

	Quarter Ended 31 March		% + / (-)	Cumulative Period Ended 31 March		% + / (-)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	83,671	72,589	15.3%	83,671	72,589	15.3%
Operating profit	9,257	736	>100%	9,257	736	>100%
Profit/(Loss) Before Tax	6,978	(1,176)	>100%	6,978	(1,176)	>100%
Profit/(Loss) After Tax	4,944	(1,973)	>100%	4,944	(1,973)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,181	(1,807)	>100%	5,181	(1,807)	>100%

The Group recorded a revenue of RM83.7 million for the current financial period ended 31 March 2018 i.e. an increase of RM11.1 million (or 15.3%) as compared to RM72.6 million recorded in the preceding year corresponding period ended 31 March 2017.

The increase in revenue was mainly due to the increase in construction work done particularly in key projects with major contribution to revenue.

During the current quarter under review a higher gross profit of RM15.1 million (i.e. an average project margin of 18.0%) was recorded as compared to a lower gross profit of only RM4.5 million (i.e. an average project margin of 6.2%) achieved during the preceding year corresponding quarter.

The lower gross profit recorded in the preceding year corresponding quarter in tandem with the increase in cost of sales was mainly due to the delay in finalising the account of some of the completed projects. As a result of which, the Group recorded a profit before tax of RM7.0 million and profit after tax of RM4.9 million for the current financial period ended 31 March 2018 as compared to a loss before tax of RM1.2 million and loss after tax of RM2.0 million respectively posted during preceding year corresponding period ended 31 March 2017.

The profit before tax and profit after tax margin for the current financial period ended 31 March 2018 stood at 8.3% and 5.9% respectively.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 31.03.2018	Immediate Preceding Quarter Ended 31.12.2017	% + / (-)
Revenue	83,671	118,115	(29.2%)
Operating Profit/(Loss)	9,257	(7,078)	>100%
Profit/(Loss) Before Tax	6,978	(6,632)	>100%
Profit/(Loss) After Tax	4,944	(5,875)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	5,181	(5,293)	>100%

In the current quarter under review, the Group recorded a revenue RM83.7 million i.e. a decrease of RM34.4 million (or 29.2%) as compared to RM118.1 million achieved in the preceding quarter ended 31 December 2017.

The decrease in revenue was mainly due to the unanticipated slow-down in construction activities during the current quarter, particularly in key projects which are already in acceleration phase. The shorter period of working days and the long festive season public holidays also contributed to the slow down.

Though the revenue was significantly higher during the preceding quarter; the rising costs of construction and the impairment of construction work in progress of completed projects, receivables and project deposits had caused a decline of RM10.6 million in profit before tax and RM8.3 million in profit after tax.

As a result of which, the Group showed a better performance in profitability with profit before tax of RM7.0 million and profit after tax of RM4.9 million for the current quarter under review as compared to loss before tax of RM6.6 million and loss after tax of RM5.9 million respectively posted during the preceding quarter ended 31 December 2017.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B3. Prospects

The Group anticipates the business environment would remain very challenging and competitive in view of the rising inflationary cost pressures, increasing regulatory compliance and maturity of the credit cycle with the banks imposing stricter and more restrictive lending criteria on the borrowers.

In spite of the challenging business environment, the Group will continue with its prudent approach to address the various challenges accordingly. The Group will continue to strengthen its core competencies, increase operational efficiency and expand its capacity to continuously bid for new contracts and strive to grow its business.

The current financial year looks promising for the Group as it fills up its order book with additional construction jobs worth approximately RM395.9 million within the first four (4) months in 2018. Its order book stood at approximately RM900.0 million as at 31 March 2018. Such order book gives the Group good prospect of earnings visibility moving forward.

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 31.3.2018 RM'000	Current financial period ended 31.3.2018 RM'000
Depreciation of property, plant and equipment	3,856	3,856
Depreciation of investment property	174	174
Finance income	(139)	(139)
Finance costs	2,418	2,418



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B6. Taxation

	Current quarter ended 31.3.2018	Current financial period ended 31.3.2018
	RM'000	RM'000
Current tax expense	1,790	1,790
Deferred tax expenses	244	244
	2,034	2,034

B7. Status of Corporate Proposal

Utilisation of Proceeds from 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.

The gross proceeds arising from the Public Issue amounted to RM71.8 million. As at 31 March 2018, the Group has utilised RM66.8 million and the balance available for utilisation is RM5.0 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	31,820	-
(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	66,820	5,000

Note: The utilisation of proceeds as disclosed above should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B7. Status of Corporate Proposal (Continued)

Utilisation of Proceeds from Private Placement

(a) On 20 February 2018, the Company completed the 2nd tranche of private placement of 15,000,000 ordinary shares at an issue price of RM0.57, further raising RM8,550,000.00 for working capital purposes.

As at the date of this Report, the proceeds from the private placement had been fully utilised.

Save as disclosed above, there were no pending corporate proposals up to 23 May 2018, 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 31 March 2018.

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 31 March 2018.

B10. Group Borrowings

The Group's borrowings as at 31 March 2018 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
As at 31 March 2018			
Finance lease liabilities	12,527	17,285	29,812
Secured term loans	369	5,168	5,537
Secured bank overdrafts	41,834	-	41,834
Banker Acceptance and trust receipts	15,022	-	15,022
Factoring facility	58,448	-	58,448
	128,200	22,453	150,653
As at 31 December 2017			
Finance lease liabilities	13,677	20,233	33,910
Secured term loans	366	5,269	5,635
Secured bank overdrafts	29,369	-	29,369
Banker Acceptance and trust receipts	27,257	-	27,257
Factoring facility	24,216	-	24,216
	94,885	25,502	120,387

All borrowings of the Group are denominated in Ringgit Malaysia.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B11. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 21 May 2018, being a date not earlier than 7 days from the date of this announcement.

B12. Capital Commitment

There were no material capital commitments for the Group as at 31 March 2018, save for below:

	As at 31.3.2018 RM'000	As at 31.3.2017 RM'000
Capital commitments	<u>6,500</u>	-

B13. Material Litigation

- (a) Signature Cabinet Sdn. Bhd. vs D.J. Design & Suppliers Sdn. Bhd. & Ikhmas Jaya Sdn. Bhd. (“IJSB”)

On 1 December 2016, a Court action by way of Writ and Statement of Claim was initiated by Signature Cabinet Sdn. Bhd. (“the Plaintiff”) against D.J. Design & Suppliers Sdn. Bhd. as the 1st Defendant and IJSB as the 2nd Defendant for outstanding payment of RM1,261,303.14 (“the outstanding sum”).

By a Letter of Award dated 8 December 2014 issued by IJSB as the main contractor, IJSB has appointed the Plaintiff as the Nominated Sub-Contractor for the supply, delivery and installation of kitchen cabinets for 150 units of service apartments (“the works”) at Lot 83, Seksyen 88 Jalan Damai off Jalan Ampang, Kuala Lumpur, Wilayah Persekutuan (“the Project”). The 1st Defendant is the owner of the Project.

A collateral agreement dated 29 June 2016 was signed between the Plaintiff and the 1st Defendant for direct payment of the outstanding sum following a discussion held between the same parties on 29 June 2016.

On 31 May 2017, all parties under the Court action had recorded a Consent Judgement wherein the 1st Defendant is to pay the Plaintiff an amount totalling RM1,425,215.52 by instalments as follows:-

- 1) RM500,000.00 - on or before 27.6.2017;
- 2) RM308,405.17 - on or before 15.7.2017;
- 3) RM308,405.17 - on or before 15.8.2017; and
- 4) RM308,405.17 - on or before 15.9.2017.

At the date of these financial statements, IJSB was made to understand by the 1st Defendant that the 1st and 2nd instalment payments had been made to the Plaintiff. The remaining two instalments were extended to 16 March 2018 and 16 April 2018 respectively but remained unpaid as at the date of these financial statements.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B13. Material Litigation (continued)

- (b) Tunjang Jitu Sdn. Bhd. vs Kerajaan Negeri Kuala Terengganu & United Overseas Bank (M) Bhd.

The Kerajaan Negeri Kuala Terengganu (“1st Defendant”) has awarded to Tunjang Jitu Sdn. Bhd. (“Plaintiff”) a main contract for a project known as “Merekabentuk, Membina, Menyiapkan dan Menyelenggara 160 Unit (5 Tingkat) Rumah Pangsa Mampu Milik di Pulau Redang, Kuala Terengganu” (“the Project”) valued at RM27.975 million and the Plaintiff has in turn awarded the Project to Ikhmas Jaya Sdn. Bhd. (“IJSB”) as the sub-contractor.

IJSB provided a performance bond to the 1st Defendant on behalf of the Plaintiff wherein the bond was issued by United Overseas Bank (M) Bhd. (“2nd Defendant”) for an amount of RM1,428,740. On 11 March 2018, the 1st Defendant called upon the bond based on purported termination of the main contract due to alleged delay in completing the Project.

The Plaintiff and IJSB had appointed solicitors to initiate a legal action against the 1st Defendant wherein the former is claiming for among others, outstanding sum for works performed and also an injunction to prohibit the 1st Defendant from calling and 2nd Defendant from releasing the bond to the 1st Defendant until the disposal of the above action. An ex-parte injunction has been obtained on 21 March 2018 and the matter is now fixed for hearing on 5 June 2018.

- (c) BSG Construction (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)

- (i) Adjudication under Construction Industry Payment and Adjudication Act 2012 (ref no. Klrc/a/d/adj-1214-2017) between BSG Construction (M) Sdn. Bhd. and Ikhmas Jaya Sdn. Bhd.

BSG Construction (M) Sdn. Bhd. (“the Plaintiff”) had issued an Adjudication Notice dated 11 September 2017 under the Construction Industry Payment and Adjudication Act 2012 against IJSB (“the defendant”) for payment of certified sum of RM4,975,984. On 20 December 2017, the Adjudicator had awarded a sum of RM3,184,077 to the Plaintiff together with adjudication costs of RM59,025 and 5% interest per annum on the awarded sum from 25 January 2018 until full settlement.

- (ii) Kuala Lumpur High Court originating summons No. WA-24C-35-02/2018 between BSG Construction (M) Sdn. Bhd. and Ikhmas Jaya Sdn. Bhd.

The Plaintiff had commenced the action on 19 February 2018 to convert the adjudication award to a Court judgment. IJSB has instructed its solicitors to set aside the Adjudicator’s award due to the fact that the Adjudicator has exceeded his jurisdiction and that the award is against natural justice.

On 30 April 2018, Kuala Lumpur High Court had dismissed IJGB’s application to set aside the Adjudicator’s award on the grounds that the Adjudicator has exceeded his jurisdiction and that the award was against natural justice. The High Court has allowed the adjudication to be converted into a Court judgment. IJSB will be negotiating with the Plaintiff on the settlement.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B13. Material Litigation (continued)

- (c) BSG Construction (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) (continued)
- (iii) Kuala Lumpur High Court Writ No. WA-22C-14-02/2018 between BSG Construction (M) Sdn. Bhd. and Ikhmas Jaya Sdn. Bhd.

The Plaintiff had commenced the action on 22 February 2018 to claim for a sum of RM1,791,907 being the balance amount that was not awarded by the Adjudicator. IJSB has appointed solicitors to defend the claim. The plaintiff had filed a summary judgment application and it was fixed for hearing on 11 May 2018. Summary judgement was obtained. IJSB is now negotiating with the plaintiff for out of court settlement.

- (d) Cemix Concrete (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”)
- (i) Shah Alam High Court Writ No: Ba-22ncc-11-05/2018 between Cemix Concrete (M) Sdn Bhd (“The Plaintiff”), Ikhmas Jaya Sdn Bhd (“The 1st Defendant”) and Ikhmas Jaya Group Bhd (“The 2nd Defendant”) (Collectively “The Defendants”)

The Plaintiff had sold and delivered ready mix concrete materials to IJSB. IJSB had failed to settle the principal sum apart from RM500,000 paid on 6 April 2018. The outstanding principal sum is RM3,180,452.78.

IJGB has provided a guarantee to the Plaintiff and is liable to pay all monies payable by IJSB, including interest and costs incurred by the Plaintiff in acquiring judgment for the remaining monies owed by IJSB, on condition that it does not exceed RM5 million and is subject to annual renewal.

Pursuant to a Credit Application dated 21 June 2012, IJSB is liable to pay interest at 1.5% per month from the date of expiry of credit term up to the date of full settlement. The accrued interest as of 30 April 2018 amounted to RM96,233.16 and this interest will continue to accrue from 1 May 2018 up to the date of full settlement.

On 18 May 2018, IJSB and IJGB had been served a Writ of Summons (“Writ”) and Statement of Claim (“SoC”) dated 4 May 2018 by the solicitors of the Plaintiff. The Plaintiff is claiming the principal sum of RM3,180,452.78, interest, costs and other reliefs. IJSB will be negotiating with the Plaintiff for out of court settlement.

B14. Dividend

No dividend was declared for the current quarter and financial period ended 31 March 2018.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018

B15. Earnings per Share

The earnings per share for the current quarter and current financial period ended 31 March 2018 is computed as follows:-

	Current quarter ended	Current financial period ended
	31.3.2018	31.3.2018
Profit for the quarter/period, attributable to owners of the parent (RM'000)	5,181	5,181
Weighted average number of ordinary shares in issue ('000)*	543,501	543,501
Basic Earnings Per Share (sen)	0.95	0.95

** Based on the issued share capital after the completion of the Initial Public Offering as detailed in Note B7*

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 31 March 2018.