

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

**Interim financial statements for second  
quarter ended 30 June 2018**



**IKHMAS JAYA GROUP BERHAD** (1072872-D)

**Interim financial statements for the period ended 30 June 2018**

*(The figures have not been audited)*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the Financial Period Ended 30 June 2018

	Individual Quarter		Cumulative Quarters	
	Current Year	Preceding Year	Current Year	Preceding Year
	Current Quarter	Corresponding Quarter		
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations:</b>				
Revenue	64,983	51,911	148,654	124,500
Cost of sales	(57,634)	(43,287)	(126,182)	(111,360)
Gross profit	7,349	8,624	22,472	13,140
Other income	214	1,467	223	1,677
Administrative expenses	(3,458)	(3,360)	(7,376)	(6,399)
Other operating expenses	(237)	(886)	(2,196)	(1,838)
Finance income	138	147	278	279
Finance costs	(2,393)	(1,883)	(4,811)	(3,927)
<b>Profit before taxation</b>	1,613	4,109	8,590	2,932
Taxation	(439)	(1,469)	(2,473)	(2,266)
<b>Profit for the period</b>	1,174	2,640	6,117	666
<b>Profit attributable to :</b>				
Equity holders of the Company	1,247	2,757	6,427	948
Non-controlling interests	(73)	(117)	(310)	(282)
	1,174	2,640	6,117	666
<b>Earnings per share (sen) attributable to owners of the parent:</b>				
- Basic	0.23	0.53	1.18	0.18
- 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 30 June 2018**

*(The figures have not been audited)*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2018

	(Unaudited) As at 30.6.2018	(Audited) As at 31.12.2017
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	99,150	99,139
Investment	226	226
Investment property	12,741	4,420
<b>Total non-current assets</b>	<u>112,117</u>	<u>103,785</u>
<b>Current assets</b>		
Trade and other receivables	374,103	397,702
Inventories	462	232
Current tax assets	2,861	4,400
Cash and cash equivalents	34,429	30,382
<b>Total current assets</b>	<u>411,855</u>	<u>432,716</u>
<b>TOTAL ASSETS</b>	<u><u>523,972</u></u>	<u><u>536,501</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	182,542	173,992
Merger deficit	(68,500)	(68,500)
Retained profits	107,350	101,514
<b>Equity attributable to holders of the company</b>	<u>221,392</u>	<u>207,006</u>
<b>Non-controlling interests</b>	<u>(2,901)</u>	<u>(2,591)</u>
<b>Total equity</b>	<u>218,491</u>	<u>204,415</u>
<b>Non-current liabilities</b>		
Loans and borrowings	26,251	25,502
Deferred tax liabilities	9,904	9,727
<b>Total non-current liabilities</b>	<u>36,155</u>	<u>35,229</u>
<b>Current liabilities</b>		
Trade and other payables	175,768	201,180
Loans and borrowings	92,239	94,885
Current tax liabilities	1,319	792
<b>Total current liabilities</b>	<u>269,326</u>	<u>296,857</u>
<b>Total liabilities</b>	<u>305,481</u>	<u>332,086</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>523,972</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 30 June 2018

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Financial Period Ended 30 June 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	
<b>At 1 January 2017</b>	130,000	36,747	(68,500)	97,185	195,432	(1,686)	193,746
Profit and total comprehensive income for the period	-	-	-	948	948	(282)	666
<b>At 30 June 2017</b>	<b>130,000</b>	<b>36,747</b>	<b>(68,500)</b>	<b>98,133</b>	<b>196,380</b>	<b>(1,968)</b>	<b>194,412</b>
<b>At 1 January 2018</b>	173,992	-	(68,500)	101,514	207,006	(2,591)	204,415
Effect of adoption of MFRS 9	-	-	-	(591)	(591)	-	(591)
<b>At 1 January 2018, restated</b>	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	-	-	-	6,427	6,427	(310)	6,117
<b>At 30 June 2018</b>	<b>182,542</b>	<b>-</b>	<b>(68,500)</b>	<b>107,350</b>	<b>221,392</b>	<b>(2,901)</b>	<b>218,491</b>

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 30 June 2018**  
*(The figures have not been audited)*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Financial Period Ended 30 June 2018

	Current Financial Period	Preceding Year Corresponding Period
	30.6.2018	30.6.2017
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,590	2,932
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	7,727	2,555
Depreciation of investment property	123	62
Gain on disposal of property, plant and equipment	-	(1,090)
Gain on disposal of investment property	-	(364)
Property, plant and equipment written off	-	19
Finance costs	4,811	3,927
Finance income	(278)	(279)
<b>Operating profit before changes in working capital</b>	<u>20,973</u>	<u>7,762</u>
Changes in working capital:		
Inventories	(229)	(128)
Trade and other receivables	14,563	4,307
Trade and other payables	(25,415)	11,000
<b>Cash generated from operations</b>	<u>9,892</u>	<u>22,941</u>
Tax paid	(230)	(1,480)
Tax refund	-	65
Interest paid	(4,811)	(4,199)
<b>Net cash generated from operating activities</b>	<u>4,851</u>	<u>17,327</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(7,738)	(9,317)
Interest received	278	75
<b>Net cash used in investing activities</b>	<u>(7,460)</u>	<u>(9,242)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) from bankers' acceptances and trust receipts	(9,566)	(6,853)
(Repayments of) /Proceeds from loans & other borrowings	(344)	10,536
Proceeds from issuance of shares	8,550	-
Proceeds from/(Repayment of) finance lease liabilities	1,676	(4,543)
Increase in pledged fixed deposits	(5,817)	(1,338)
<b>Net cash used in financing activities</b>	<u>(5,501)</u>	<u>(2,198)</u>
<b>NET (DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	(8,110)	5,887
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u>(27,138)</u>	<u>(28,826)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*</b>	<u><u>(35,248)</u></u>	<u><u>(22,939)</u></u>
<b>*Cash and cash equivalents at the end of the financial period comprised the following:</b>		
Fixed deposits with licensed banks	33,968	25,360
Less: Pledged deposits	(33,968)	(24,360)
	-	1,000
Cash and bank balances	460	1,277
Bank overdrafts	(35,708)	(25,216)
	<u>(35,248)</u>	<u>(22,939)</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 – SECOND QUARTER ENDED 30 JUNE 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 2nd interim financial statements on the consolidated results for the second quarter ended 30 June 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 2018 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 – SECOND QUARTER ENDED 30 JUNE 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 of MFRS 9	<u>100,923</u>



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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 – SECOND QUARTER ENDED 30 JUNE 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 30 June 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 cancellation, repurchase, resale and repayment of debts and equity securities during the current period ended 30 June 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 – SECOND QUARTER ENDED 30 JUNE 2018**

**A8. Dividends Paid**

No dividends were paid by the Company in the current period ended 30 June 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 22 August 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 30 June 2018.

**A13. Significant Related Party Transactions**

There were no significant transactions for the current period ended 30 June 2018 and preceding year corresponding period ended 30 June 2017 except for the amount owing to Ikhmas Jaya Holdings Sdn Bhd (a controlling shareholder) as detailed below:

	<b>As at 30.6.2018 RM'000</b>	<b>As at 30.6.2017 RM'000</b>
Ikhmas Jaya Sdn Bhd	14,349	453
Rekavista Sdn Bhd	13	13
Ikhmas Equipment Sdn Bhd	115	115
MM2 Building System Sdn Bhd	1,010	1,010
<b>Total</b>	<b>15,487</b>	<b>1,591</b>

**A14. Contingent Liabilities**

There were no material contingent liabilities for the Group as at 30 June 2018.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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 30 June		% + / (-)	Cumulative Period Ended 30 June		% + / (-)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
<b>Revenue</b>	64,983	51,911	25.2%	148,654	124,500	19.4%
<b>Operating profit</b>	3,868	5,845	(33.8%)	13,123	6,580	99.4%
<b>Profit Before Tax</b>	1,613	4,109	(60.7%)	8,590	2,932	>100%
<b>Profit After Tax</b>	1,174	2,640	(55.5%)	6,117	666	>100%
<b>Profit Attributable to Equity Holders of the Company</b>	1,247	2,757	(54.8%)	6,427	948	>100%

**Q2 FY2018 versus Q2 FY2017**

The Group achieved a higher revenue of RM65.0 million during the current quarter under review i.e. an increase of RM13.1 million (or 25.2%) as compared to RM51.9 million recorded in the preceding year corresponding quarter. The higher revenue was mainly due to the increase in construction activities

Though a higher revenue was achieved during the current quarter as a result of increase in construction work done; the Group underperformed as compared to its preceding year corresponding quarter with comparatively lower profit before tax of RM1.6 million and profit after tax of RM1.2 million respectively due to increasing costs in fuel and transportation and rise in finance charges.

**1H FY2018 versus 1H FY2017**

The Group recorded a revenue of RM148.7 million for the current financial period ended 30 June 2018 i.e. an increase of RM24.2 million (or 19.4%) as compared to RM124.5 million recorded in the preceding year corresponding period ended 30 June 2017.

The increase in revenue was mainly due to the increase in construction work done particularly in key projects (already in acceleration phase) with major contribution to revenue.

During the current period under review a higher gross profit of RM22.5 million (i.e. an average project margin of 15.1%) was recorded as compared to a lower gross profit of only RM13.1 million (i.e. an average project margin of 10.6%) achieved during the preceding year corresponding period.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B1. Review of the Performance of the Group (continued)**

The lower gross profit recorded in the preceding year corresponding period in tandem with the increase in cost of sales was mainly due to delay in finalising the account of some of the completed projects during the first (1<sup>st</sup>) quarter of the preceding year. As a result of which, the Group recorded higher figures in both metrics i.e. profit before tax of RM8.6 million and profit after tax of RM6.1 million for the current financial period ended 30 June 2018 as compared to profit before tax of RM2.9 million and profit after tax of RM0.7 million respectively achieved during the preceding year corresponding period ended 30 June 2017.

The profit before tax and profit after tax margin for the current financial period ended 30 June 2018 stood at 5.8% and 4.1% respectively.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B2. Comparison with Preceding Quarter's Results**

	<b>Current Quarter Ended 30.06.2018</b>	<b>Immediate Preceding Quarter Ended 31.3.2018</b>	<b>% + / (-)</b>
<b>Revenue</b>	64,983	83,671	(22.3%)
<b>Operating Profit/(Loss)</b>	3,868	9,257	(58.2%)
<b>Profit/(Loss) Before Tax</b>	1,613	6,978	(76.9%)
<b>Profit/(Loss) After Tax</b>	1,174	4,944	(76.2%)
<b>Profit/(Loss) Attributable to Equity Holders of the Company</b>	1,247	5,181	(75.9%)

In the current quarter under review, the Group recorded a revenue RM65.0 million i.e. a decrease of RM18.7 million (or 22.3%) as compared to RM83.7 million achieved in the preceding quarter ended 31 March 2018.

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 lower revenue achieved coupled with the increase in cost of sales during the current quarter corresponded with a decline of more than 75% in profitability as compared to its profit performance in the preceding quarter ended 31 March 2018.

The Group recorded profit before tax of RM1.6 million and profit after tax of RM1.2 million during the current quarter as compared to profit before tax of RM7.0 million and profit after tax of RM4.9 million respectively achieved during the preceding quarter ended 31 March 2018.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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.

Barring any unforeseen circumstances, Group anticipates its performance for the current financial year to be satisfactory 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 RM848.7 million as at 30 June 2018 and RM927.0 million as at the date of this announcement. 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):-

	<b>Current quarter ended 30.6.2018 RM'000</b>	<b>Current financial period ended 30.6.2018 RM'000</b>
Depreciation of property, plant and equipment	3,871	7,727
Depreciation of investment property	(50)	123
Finance income	(138)	(278)
Finance costs	2,393	4,811



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018

B6. Taxation

	Current quarter ended 30.6.2018	Current financial period ended 30.6.2018
	RM'000	RM'000
Current tax expense	439	2,229
Deferred tax expenses	-	244
	439	2,473

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:

	<b>Description</b>	<b>Timeframe for Utilisation</b>	<b>Amount (RM'000)</b>	<b>% of Total Gross Proceeds (%)</b>	<b>Amount utilised (RM'000)</b>	<b>Balance Available (RM'000)</b>
(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	-
	<b>Total Public Issue Proceeds</b>		<b>71,820</b>	<b>100.00</b>	<b>66,820</b>	<b>5,000</b>



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018

**B7. Status of Corporate Proposal (Continued)**

**Utilisation of Proceeds from Public Issue (Continued)**

On 18 July 2018, the Board of Directors of Ikhmas Jaya announced that the Company intends to vary the balance of utilisation of the IPO Proceeds amounting to RM5 million from the Prefab Machinery Purchase to the working capital and the extension of the time frame for the utilisation of the mentioned IPO Proceeds for another three (3) months from 27 July 2018 to 27 October 2018.

*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.*

**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 22 August 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 30 June 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 30 June 2018.

**B10. Group Borrowings**

The Group's borrowings as at 30 June 2018 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<b>As at 30 June 2018</b>			
Finance lease liabilities	14,411	21,175	35,586
Secured term loans	214	5,076	5,290
Secured bank overdrafts	35,707	-	35,707
Banker Acceptance and trust receipts	23,682	-	23,682
Factoring facility	18,225	-	18,225
	<u>92,239</u>	<u>26,251</u>	<u>118,490</u>

All borrowings of the Group are denominated in Ringgit Malaysia.





**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B11. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risks as at 21 August 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 30 June 2018, save for below:

	<b>As at 30.6.2018 RM'000</b>	<b>As at 30.6.2017 RM'000</b>
Capital commitments	<u>2,227</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 last two instalments remained unpaid as at 21 August 2018.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 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 had been obtained on 21 March 2018 and the matter was now fixed for hearing on 5 June 2018 of which had been postponed. The inter parte hearing was finally held on 31 July 2018 and the Kuala Terengganu High Court (“the Court”) decided in favour of the 1st Defendant. Hence, the court injunction to stop the 2nd Defendant from releasing the Performance Bond to the 1st Defendant is now longer in place.

IJSB’s solicitors then filed an Erinford Injunction at the Court and the matter was fixed for hearing on 13 August 2018. The Court had on 13 August 2018 refused to allow an interim order pending the hearing of the Erinford Injunction filed by IJSB. The date for hearing is now fixed on 12 September 2018.

On 16 August 2018, IJSB’s solicitors filed the Notice of Motion together with supporting affidavit at the Court of Appeal to obtain the Erinford Injunction Order.

The Notice of Motion was filed for the purpose of obtaining an Erinford Injunction Order at the Court of Appeal in lieu of the dismissal by the learned Kuala Terengganu High Court judge to grant interim Erinford Injunction Order pending disposal by way of inter parte hearing on 12 September 2018.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B13. Material Litigation (continued)**

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

- (i) Adjudication under Construction Industry Payment and Adjudication Act 2012 (ref no. Klrca/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 had instructed its solicitors to set aside the Adjudicator’s award due to the fact that the Adjudicator had 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 had allowed the adjudication to be converted into a Court judgment.

- (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.

For all of the three legal suits as mentioned in paragraph (c)(i), (c)(ii) and (c)(iii), IJSB and BSG Construction (M) Sdn Bhd had executed an amicable settlement agreement on 22 June 2018. Following which, the Plaintiff had withdrawn the Notice dated 31 May 2018 pursuant to Section 466(1)(a) of the Companies Act 2016 read together with Section 465(1)(e) of the Companies Act 2016.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B13. Material Litigation (continued)**

- (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.

The Defendants and the Plaintiff had reached an amicable settlement arrangement and following which, the Plaintiff had on 4 June 2018 filed to the High Court a Notice of Discontinuance to withdraw the Writ of Summons and Statement of Claim served on the Defendants.

- (e) Ikhmas Jaya Sdn Bhd (“IJSB”) vs ASM Development (KL) Sdn Bhd

IJSB through its solicitors had on 15 August 2018 served a sealed copy of the Writ of Summons (Writ) and Statement of Claim (SoC) against ASM Development (KL) Sdn Bhd. (“the Defendant”).

IJSB is claiming for RM14,583,764.69 from the Defendant being the outstanding balance of the certified contractual work done. The matter had been fixed for case management at the Kuala Lumpur High Court on 27 August 2018.



**IKHMAS JAYA GROUP BERHAD (1072872-D)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2018**

**B14. Dividend**

No dividend was declared for the current quarter and financial period ended 30 June 2018.

**B15. Earnings per Share**

The earnings per share for the current quarter and current financial period ended 30 June 2018 is computed as follows:-

	<b>Current quarter ended</b>	<b>Current financial period ended</b>
	<b>30.6.2018</b>	<b>30.6.2018</b>
Profit for the quarter/period, attributable to equity owners of the Company (RM'000)	1,247	6,427
Weighted average number of ordinary shares in issue ('000)*	543,501	543,501
Basic Earnings Per Share (sen)	0.23	1.18

*\* Based on the issued share capital after the completion of the Initial Public Offering and Private Placement 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 30 June 2018.