

Ikhmas Jaya Group Berhad

(Company No. 1072872-D)

(Incorporated in Malaysia)

**Interim financial statements for third
quarter ended 30 September 2018**



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 30 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Period Ended 30 September 2018

	Individual Quarter		Cumulative Quarters	
	Current Year	Preceding Year	Current Year	Preceding Year
	Current Quarter	Corresponding Quarter		
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:				
Revenue	67,067	60,551	215,721	185,051
Cost of sales	(62,104)	(47,985)	(188,285)	(159,345)
Gross profit	4,963	12,566	27,436	25,706
Other income	506	7,270	729	8,947
Administrative expenses	(3,221)	(3,670)	(10,596)	(10,069)
Other operating expenses	(6,510)	(603)	(8,705)	(2,439)
Finance income	332	124	609	403
Finance costs	(3,596)	(2,293)	(8,407)	(6,220)
(Loss)/Profit before taxation	(7,526)	13,394	1,066	16,328
Taxation	3,430	(2,261)	957	(4,528)
(Loss)/Profit for the period	(4,096)	11,133	2,023	11,800
(Loss)/Profit attributable to :				
Owners of the Company	(3,977)	11,273	2,451	12,222
Non-controlling interests	(119)	(140)	(428)	(422)
	(4,096)	11,133	2,023	11,800
Earnings per share (sen) attributable to owners of the parent:				
- Basic	(0.73)	2.15	0.45	2.34
- 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 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	(Unaudited) As at 30.9.2018	(Audited) As at 31.12.2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	97,219	99,139
Investment	226	226
Investment properties	12,781	4,420
Total non-current assets	<u>110,226</u>	<u>103,785</u>
Current assets		
Trade and other receivables	380,437	397,702
Inventories	252	232
Current tax assets	2,824	4,400
Cash and cash equivalents	36,853	30,382
Total current assets	<u>420,366</u>	<u>432,716</u>
TOTAL ASSETS	<u><u>530,592</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	99,159	101,514
Equity attributable to owners of the company	<u>213,201</u>	<u>207,006</u>
Non-controlling interests	<u>(3,019)</u>	<u>(2,591)</u>
Total equity	<u>210,182</u>	<u>204,415</u>
Non-current liabilities		
Loans and borrowings	7,388	25,502
Deferred tax liabilities	4,958	9,727
Total non-current liabilities	<u>12,346</u>	<u>35,229</u>
Current liabilities		
Trade and other payables	205,924	201,180
Loans and borrowings	100,961	94,885
Current tax liabilities	1,179	792
Total current liabilities	<u>308,064</u>	<u>296,857</u>
Total liabilities	<u>320,410</u>	<u>332,086</u>
TOTAL EQUITY AND LIABILITIES	<u><u>530,592</u></u>	<u><u>536,501</u></u>
Net assets per share (RM)	0.39	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 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Period Ended 30 September 2018

	Attributable to the owners of the Company					Non-controlling interests	Total equity
	<----- Non-distributable ----->			Distributable	Total		
	Share capital	Share premium	Merger Deficit	Retained earnings			
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
Shares issued	7,245	-	-	-	7,245	-	7,245
Profit and total comprehensive income for the period	-	-	-	12,222	12,222	(422)	11,800
At 30 September 2017	137,245	36,747	(68,500)	109,407	214,899	(2,108)	212,791
At 1 January 2018	173,992	-	(68,500)	101,514	207,006	(2,591)	204,415
Effect of adoption of MFRS 9	-	-	-	(4,806)	(4,806)	-	(4,806)
At 1 January 2018, restated	173,992	-	(68,500)	96,708	202,200	(2,591)	199,609
Shares issued	8,550	-	-	-	8,550	-	8,550
Profit and total comprehensive income for the period	-	-	-	2,451	2,451	(428)	2,023
At 30 September 2018	182,542	-	(68,500)	99,159	213,201	(3,019)	210,182

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 September 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Period Ended 30 September 2018

	Current Financial Period	Preceding Year Corresponding Period
	30.9.2018	30.9.2017
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,066	16,328
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	11,767	7,709
Depreciation of investment property	141	308
Gain on disposal of property, plant and equipment	(75)	(4,666)
Gain on disposal of investment property	(37)	(640)
Property, plant and equipment written off	-	19
Finance costs	8,407	6,220
Finance income	(609)	(403)
Operating profit before changes in working capital	<u>20,660</u>	<u>24,875</u>
Changes in working capital:		
Inventories	(19)	(390)
Trade and other receivables	2,143	(69,163)
Trade and other payables	4,744	78,267
Cash generated from operations	<u>27,528</u>	<u>33,589</u>
Tax paid	-	(1,480)
Tax refund	-	65
Interest paid	(8,407)	(6,220)
Net cash generated from operating activities	<u>19,121</u>	<u>25,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(22,049)
Proceeds from disposal of property, plant and equipment	672	-
Interest received	609	403
Net cash generated from/(used in) investing activities	<u>1,281</u>	<u>(21,646)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bankers' acceptances and trust receipts	(18,720)	(14,360)
Proceeds from loans & other borrowings	208	13,280
Proceeds from issuance of shares	8,550	7,245
Repayment of finance lease liabilities	(10,681)	(4,543)
(Increase) / Decrease in pledged fixed deposits	(7,837)	531
Net cash (used in)/generated from financing activities	<u>(28,480)</u>	<u>2,153</u>
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(8,078)	6,461
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>(27,138)</u>	<u>(28,826)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	<u>(35,216)</u>	<u>(22,365)</u>
*Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits with licensed banks	35,988	23,491
Less: Pledged deposits	(35,988)	(22,491)
	-	1,000
Cash and bank balances	865	42
Bank overdrafts	(36,081)	(23,407)
	<u>(35,216)</u>	<u>(22,365)</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 – THIRD QUARTER ENDED 30 SEPTEMBER 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 third (3rd) interim financial statements on the consolidated results for the third quarter ended 30 September 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 these 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 the 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 – THIRD QUARTER ENDED 30 SEPTEMBER 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.

Retained earnings as at 1 January 2018	101,514
Expected Credit Loss on trade and other receivables	<u>(4,806)</u>
Retained earnings as at the date of initial application of MFRS 9	<u>96,708</u>



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 – THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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 – THIRD QUARTER ENDED 30 SEPTEMBER 2018

A8. Dividends Paid

No dividends were paid by the Company in the current period ended 30 September 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 November 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 and financial period ended 30 September 2018.

A13. Significant Related Party Transactions

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

	As at 30.9.2018 RM'000	As at 30.9.2017 RM'000
Ikhmas Jaya Sdn Bhd	6,236	453
Rekavista Sdn Bhd	13	13
Ikhmas Equipment Sdn Bhd	115	115
MM2 Building System Sdn Bhd	1,010	1,010
Total	7,374	1,591

A14. Contingent Liabilities

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



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 September		% + / (-)	Cumulative Period Ended 30 September		% + / (-)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	67,067	60,551	10.8%	215,721	185,051	16.6%
Operating (loss)/profit	(4,262)	15,563	(>100%)	8,864	22,145	(60.0%)
(Loss)/Profit Before Tax	(7,526)	13,394	(>100%)	1,066	16,328	(93.5%)
(Loss)/Profit After Tax	(4,096)	11,133	(>100%)	2,023	11,800	(82.9%)
(Loss)/Profit Attributable to Equity Holders of the Company	(3,977)	11,273	(>100%)	2,451	12,222	(79.9%)

Q3 FY2018 versus Q3 FY2017

The Group achieved a higher revenue of RM67.1 million during the current quarter under review i.e. an increase of RM6.5 million (or 10.8%) as compared to RM60.6 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 with a loss before tax of RM7.5 million and loss after tax of RM4.1 million as compared to its profit before tax of RM13.4 million and profit after tax of RM11.1 million achieved in the corresponding period a year ago.

In accordance with the applicable Malaysian Financial Reporting Standards (“MFRS”) taking into account all probabilities of monetization of our final work claims (for all of our completed projects) which are still pending certification and endorsement by consultants and clients amidst the ever challenging operating environment that the construction industry is presently facing, the Group made a provision for impairment charge on contract assets and trade receivables amounting to RM9.9 million during the current quarter under review.

Without taking into account the abovementioned charges, the Group would have achieved a pre-tax profit of RM2.4 million during the current quarter under review.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B1. Review of the Performance of the Group (Continued)

9M FY2018 versus 9M FY2017

The Group recorded a revenue of RM215.7 million for the current financial period ended 30 September 2018 i.e. an increase of RM30.6 million (or 16.6%) as compared to RM185.1 million recorded in the preceding year corresponding period ended 30 September 2017.

The increase in revenue was mainly due to the increase in construction work done as a result of increase in the Group's order book.

During the current financial period under review a lower gross profit margin of 12.7% was recorded as compared to 13.9% gross profit margin achieved during the preceding year corresponding period. Without the impairment charge of RM5.0 million on contract assets, a gross profit of RM32.4 million would have been recorded. Thus, the average project margin would have been at 15.0%.

As a result of the impairment charge on contract assets and trade receivables, the Group's profit before tax declined to RM1.1 million as compared to RM16.3 million a year ago. After taking into account its tax expense, the Group recorded a profit after taxation of RM2.0 million for the current financial period under review.

Without the aforesaid charges, the Group's profit before tax would have been RM11.0 million during the first (1st) nine months of the current financial year.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 30.09.2018	Immediate Preceding Quarter Ended 30.06.2018	% + / (-)
Revenue	67,067	64,983	3.2%
Operating (Loss)/Profit	(4,262)	3,868	(>100%)
(Loss)/Profit Before Tax	(7,526)	1,613	(>100%)
(Loss)/Profit After Tax	(4,096)	1,174	(>100%)
(Loss)/Profit Attributable to Equity Holders of the Company	(3,977)	1,247	(>100%)

Q3 FY2018 versus Q2 FY2018

In the current quarter under review, the Group recorded a revenue RM67.1 million i.e. an increase of RM2.1 million (or 3.2%) as compared to RM65.0 million achieved in the preceding quarter ended 30 June 2018. The Group managed to sustain the momentum in construction activities during the current quarter and this resulted in a slight increase in its revenue.

Excluding the charges as mentioned in item B1 above, the Group would have achieved a profit before tax of RM2.4 million during the current quarter as compared to its pre-tax profit of RM1.6 million achieved in the preceding quarter ended 30 June 2018.

Without the impairment charge of RM5.0 million on contract assets in the cost of sales, average project margin would have been 15% during the current quarter (Q3 FY2018) compared to 13.4% in the preceding quarter (Q2 FY2018).

Notwithstanding the improvement in both its revenue and profitability, after taking into account the impairment charges as mentioned above; the Group underperformed with a reported loss of RM4.1 million for the current quarter as compared to a profit of RM1.2 million in the preceding quarter.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B3. Prospects

The Group anticipates the business environment would remain extremely challenging and competitive in view of our domestic economic slow down, rising inflationary cost pressures and increasing regulatory compliance.

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.

Our order book was filled up with additional construction jobs worth approximately RM473.0 million secured in the first nine (9) months in 2018. As at 30 September 2018, our order book stood at approximately RM819.8 million. Such order book would give the Group good prospect of earnings visibility for at least the next two (2) years.

Currently, the Group is actively participating in several new tenders and re-tendering exercises.

Moving forward, the Group would continuously be active in tendering for major infrastructure projects.

The Group plans to place greater emphasis and focus on bridges and road networks, bore piling and basement (substructure) and also flood mitigation works which is the Group's area of specialisation wherein the Group has accumulated lots of experience and expertise.

B4. Profit Forecast or Profit Guarantee

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



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B5. Profit Before Tax

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

	Current quarter ended 30.9.2018 RM'000	Current financial period ended 30.9.2018 RM'000
Depreciation of property, plant and equipment	4,040	11,767
Depreciation of investment property	18	141
Gain on disposal of property, plant and equipment	(75)	(75)
Gain on disposal of investment properties	(37)	(37)
Finance income	(331)	(609)
Finance costs	3,596	8,407

B6. Taxation

	Current quarter ended 30.9.2018 RM'000	Current financial period ended 30.9.2018 RM'000
Current tax expense		
- Current year	(827)	1,402
- Under provision in prior year(s)	712	712
	(115)	2,114
Deferred tax expenses		
- Current year	(2,605)	(2,361)
- Over provision in prior year(s)	(710)	(710)
	(3,315)	(3,071)
Total income tax credit	(3,430)	(957)



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

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



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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. The said proceeds had been placed out to one of the prominent bankers as fixed deposit pledged for the purpose of securing banking facility to finance its working capital requirements.

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 utilized.

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 September 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 September 2018.

B10. Group Borrowings

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

	Short Term RM'000	Long Term RM'000	Total RM'000
As at 30 September 2018			
Finance lease liabilities	31,270	2,402	33,672
Secured term loans	856	4,986	5,842
Secured bank overdrafts	36,081	-	36,081
Banker Acceptance and trust receipts	17,264	-	17,264
Factoring facility	15,490	-	15,490
	100,961	7,388	108,349

All borrowings of the Group are denominated in Ringgit Malaysia.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B11. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 23 November 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 September 2018, save for below:

	As at 30.9.2018 RM'000	As at 30.9.2017 RM'000
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 in the following:-

- 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 this announcement, IJSB was made to understand by the Plaintiff’s lawyer and 1st Defendant that only the remaining balance amount of RM158,405.34 out of the Judgement Sum of RM1,425,215.52 is still outstanding and owing to the Plaintiff by the 1st Defendant.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 inter parte hearing was held on 31 July 2018 where 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 no longer in place.

A 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 on 12 September 2018 pending disposal by way of inter parte hearing.

The Court of Appeal had allowed the Plaintiff’s application for Erinford Injunction Order. The 1st Defendant is restricted in its claim on the performance bond secured by IJSB until the case is heard in the Court of Appeal. Case management for the Injunction Appeal has been fixed on 10 December 2018.



IKHMAS JAYA GROUP BERHAD (1072872-D)

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

As at the date of this announcement, the out of court settlement was concluded for RM5,273,346.



IKHMAS JAYA GROUP BERHAD (1072872-D)

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

As at the date of this announcement, the out of court settlement was concluded for RM3,266,694.

(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 Hearing for Notice of Application under Order 14 had been fixed on 9 January 2019. The case had also been fixed for trial from 24 June 2019 to 27 June 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2018

B14. Dividend

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

B15. Earnings per Share

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

	Current quarter ended	Current financial period ended
	30.9.2018	30.9.2018
(Loss)/Profit for the quarter/period, attributable to equity owners of the Company (RM'000)	(3,977)	2,451
Weighted average number of ordinary shares in issue ('000)*	543,501	543,501
Basic Earnings Per Share (sen)	(0.73)	0.45

** 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 September 2018.