

**Ikhmas Jaya Group Berhad**

(Company No. 1072872-D)

(Incorporated in Malaysia)

**Interim financial statements for fourth  
quarter ended 31 December 2018**



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the year ended 31 December 2018

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

For the Financial Year Ended 31 December 2018

	Individual Quarter		Cumulative Quarters	
	Current Year	Preceding Year	Current Year	Preceding Year
	Current Quarter	Corresponding Quarter		(Audited)
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations:</b>				
Revenue	71,492	118,115	287,213	303,166
Cost of sales	(89,636)	(114,112)	(277,920)	(273,457)
Gross (loss)/profit	(18,144)	4,003	9,293	29,709
Other income	1,418	393	2,148	5,951
Administrative expenses	(4,489)	(4,835)	(15,086)	(14,904)
Other operating expenses	(9,807)	(3,250)	(18,513)	(5,689)
Finance income	514	165	1,123	3,957
Finance costs	(4,983)	(3,109)	(13,390)	(9,329)
<b>(Loss)/Profit before taxation</b>	<b>(35,491)</b>	<b>(6,633)</b>	<b>(34,425)</b>	<b>9,695</b>
Taxation	2,825	757	3,782	(3,771)
<b>(Loss)/Profit for the period</b>	<b>(32,666)</b>	<b>(5,876)</b>	<b>(30,643)</b>	<b>5,924</b>
<b>(Loss)/Profit attributable to :</b>				
Owners of the Company	(29,382)	(5,293)	(26,931)	6,929
Non-controlling interests	(3,284)	(583)	(3,712)	(1,005)
	<b>(32,666)</b>	<b>(5,876)</b>	<b>(30,643)</b>	<b>5,924</b>
<b>Earnings per share (sen) attributable to owners of the parent:</b>				
- Basic	(5.41)	(1.01)	(4.96)	1.32
- 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

The financial figures for the current quarter and current financial year ended 31 December 2018 had been reviewed by Messrs KPMG PLT.



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the year ended 31 December 2018

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

	As at 31.12.2018	(Audited) As at 31.12.2017
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	92,926	99,139
Contract assets	28,698	-
Investment	226	226
Deferred tax assets	6,111	-
Investment properties	12,721	4,420
<b>Total non-current assets</b>	<b>140,682</b>	<b>103,785</b>
<b>Current assets</b>		
Trade and other receivables	311,565	397,702
Inventories	866	232
Current tax assets	4,170	4,400
Cash and cash equivalents	37,883	30,382
<b>Total current assets</b>	<b>354,484</b>	<b>432,716</b>
<b>TOTAL ASSETS</b>	<b>495,166</b>	<b>536,501</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	182,542	173,992
Merger deficit	(68,500)	(68,500)
Retained profits	69,777	101,514
<b>Equity attributable to owners of the company</b>	<b>183,819</b>	<b>207,006</b>
<b>Non-controlling interests</b>	<b>(6,303)</b>	<b>(2,591)</b>
<b>Total equity</b>	<b>177,516</b>	<b>204,415</b>
<b>Non-current liabilities</b>		
Loans and borrowings	22,229	25,502
Deferred tax liabilities	8,951	9,727
<b>Total non-current liabilities</b>	<b>31,180</b>	<b>35,229</b>
<b>Current liabilities</b>		
Trade and other payables	215,490	201,180
Loans and borrowings	69,068	94,885
Current tax liabilities	1,912	792
<b>Total current liabilities</b>	<b>286,470</b>	<b>296,857</b>
<b>Total liabilities</b>	<b>317,650</b>	<b>332,086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>495,166</b>	<b>536,501</b>
Net assets per share (RM)	0.33	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*

*The financial figures for the current quarter and current financial year ended 31 December 2018 had been reviewed by Messrs KPMG PLT.*



**IKHMAS JAYA GROUP BERHAD** (1072872-D)  
**Interim financial statements for the year ended 31 December 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 For the Financial Year Ended 31 December 2018

	Attributable to the owners of the Company					Non-controlling interests	Total equity
	<----- Non-distributable ----->			Distributable			
	Share capital	Share premium	Merger 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
Shares issued	7,245	-	-	-	7,245	-	7,245
Dividend declared / paid	-	-	-	(2,600)	(2,600)	-	(2,600)
Profit and total comprehensive income for the year	-	-	-	6,929	6,929	(1,005)	5,924
Increase in equity interest in a subsidiary	-	-	-	-	-	100	100
Transfer in accordance with Section 618(2) of the Companies Act 2016	36,747	(36,747)	-	-	-	-	-
<b>At 31 December 2017</b>	<b>173,992</b>	<b>-</b>	<b>(68,500)</b>	<b>101,514</b>	<b>207,006</b>	<b>(2,591)</b>	<b>204,415</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	-	-	-	(4,806)	(4,806)	-	(4,806)
<b>At 1 January 2018, restated</b>	173,992	-	(68,500)	96,708	202,200	(2,591)	199,609
Shares issued	8,550	-	-	-	8,550	-	8,550
Loss and total comprehensive loss for the year	-	-	-	(26,931)	(26,931)	(3,712)	(30,643)
<b>At 31 December 2018</b>	<b>182,542</b>	<b>-</b>	<b>(68,500)</b>	<b>69,777</b>	<b>183,819</b>	<b>(6,303)</b>	<b>177,516</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*

*The financial figures for the current quarter and current financial year ended 31 December 2018 had been reviewed by Messrs KPMG PLT.*



**IKHMAS JAYA GROUP BERHAD** (1072872-D)  
**Interim financial statements for the year ended 31 December 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Financial Year Ended 31 December 2018

	<b>Current Financial Year</b>	<b>(Audited) Preceding Year</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(34,425)	9,695
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	15,896	14,958
Depreciation of investment property	248	69
Gain on disposal of property, plant and equipment	(990)	(5,153)
Impairment loss on property, plant and equipment	404	-
Impairment loss on inventories	782	-
Impairment loss on trade and other receivables	12,509	1,014
Finance costs	13,390	9,329
Finance income	(1,123)	(3,957)
<b>Operating profit before changes in working capital</b>	<b>6,691</b>	<b>25,955</b>
Changes in working capital:		
Inventories	(1,416)	172
Trade and other receivables	30,842	(75,563)
Trade and other payables	13,525	53,859
<b>Cash generated from operations</b>	<b>49,642</b>	<b>4,423</b>
Tax paid	(602)	(2,967)
Tax refund	11	65
Interest paid	(13,390)	(9,329)
<b>Net cash generated from/(used in) operating activities</b>	<b>35,661</b>	<b>(7,808)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,201)	(795)
Acquisition of investment property	-	(563)
Proceeds from disposal of property, plant and equipment	1,999	1,915
Interest received	1,123	568
<b>Net cash generated from investing activities</b>	<b>1,921</b>	<b>1,125</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments)/Proceeds from bankers' acceptances and trust receipts	(15,049)	7,514
(Repayments)/Proceeds from loans & other borrowings	(18,253)	11,089
Proceeds from issuance of shares	8,550	7,245
Increase in equity interest by non-controlling interest	-	100
Repayment of finance lease liabilities	(12,780)	(9,848)
Dividend paid	-	(2,600)
Increase in pledged fixed deposits	(8,702)	(5,128)
<b>Net cash (used in)/generated from financing activities</b>	<b>(46,234)</b>	<b>8,372</b>
<b>NET (DECREASE)/INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(8,652)</b>	<b>1,689</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>(27,138)</b>	<b>(28,827)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR*</b>	<b>(35,790)</b>	<b>(27,138)</b>
<b>*Cash and cash equivalents at the end of the financial year comprised the following:</b>		
Fixed deposits with licensed banks	36,853	28,151
Less: Pledged deposits	(36,853)	(28,151)
Cash and bank balances	1,030	2,231
Bank overdrafts	(36,820)	(29,369)
	<b>(35,790)</b>	<b>(27,138)</b>

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

The financial figures for the current quarter and current financial year ended 31 December 2018 had been reviewed by Messrs KPMG PLT.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A1. Basis of preparation**

**Statement of compliance and going concern**

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 fourth (4<sup>th</sup>) interim financial statements on the consolidated results for the fourth quarter ended 31 December 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 for the 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.

The preparation of interim financial statements in conformity with MFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, event or actions, actual results ultimately may differ from those estimates.

The interim financial statements have been prepared on the historical cost basis and on the assumption that the Group and the Company are going concerns.

The Group has prepared and considered prospective financial information based on assumptions and events that may occur for at least 12 months from the date of approval of the interim financial statements and the possible actions to be taken by the Group. Prospective financial information includes the Group's profit and cash flow forecasts for the ongoing projects as well as potential projects that the management has tendered/intends to tender taken into consideration reasonable success rate based on its historical track record and past experience. The forecasts also incorporate current payables, committed expenditures and other future expected expenditures.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A1. Basis of preparation (continued)**

**Statement of compliance and going concern**

In preparing the profit and cash flow forecasts, the Directors have considered the availability of cash and adequacy of banking facilities and the Directors believe that the business will be able to realise its assets and discharge its liabilities in the normal course of business for at least 12 months from the date of the approval of the interim financial statements. The Directors expect to draw further funds from the existing banking facilities to finance the completion of the Group's existing projects and the necessary working capital requirements if the need arises.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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 adoption of MFRS 15.





IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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.

	RM'000
Retained earnings as at 1 January 2018	101,514
Expected Credit Loss on trade and other receivables	(4,806)
Retained earnings as at the date of initial application of MFRS 9	<u>96,708</u>

**MFRS 16, Leases**

MFRS 16, Leases supersedes MFRS 117 Leases and its related interpretations. Under MFRS 16 – a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. It introduces a single accounting model for lessee and eliminates the classification of leases by the lessee either as finance leases or operating leases.

At the commencement date of a lease, a lessee will recognise the present value of future lease payments as a lease liability and the "right of use" of the underlying asset during the lease term as an asset. Subsequently, the "right of use" asset is depreciated in accordance with the principle in MFRS 116 – Property, Plant and Equipment.

The Group is assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption i.e. financial year ending 31 December 2019.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A3. Significant Accounting Policies**

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

***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 – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A3. Significant Accounting Policies (continued)**

***MFRS, effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, Insurance Contracts

***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*

**A4. Auditor's Report**

The reports of the auditors to the shareholders 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.

**A5. Seasonality or Cyclicity of Interim Operations**

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

**A6. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

The financial performance of the Group during the current quarter ended 31 December 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.

**A7. 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.

**A8. Debt and Equity Securities**

There were no cancellation, repurchase, resale and repayment of debts and equity securities during the current financial year ended 31 December 2018 except for the following:

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 – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A9. Dividends Paid**

No dividends were paid by the Company in the current quarter and financial year ended 31 December 2018.

**A10. 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.

**A11. 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.

**A12. Significant Post Balance Sheet Event**

There were no material events as at 21 February 2019, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the current quarter and financial year ended 31 December 2018.

**A13. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year ended 31 December 2018.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A14. Significant Related Party Transactions**

There were no significant recurring related party transactions for the current financial year ended 31 December 2018 and preceding year ended 31 December 2017 except for the following:

<b>Related companies</b>	<b>Transactions</b>	<b>Financial Year ended 31.12.2018 RM'000</b>	<b>Financial Year ended 31.12.2017 RM'000</b>
Gourmate Industries (M) Sdn Bhd	Sales of panels	50	Nil
Visata Enterprise Sdn Bhd	Sales of panels and mesh	658	Nil
	<b>Total</b>	<b>708</b>	<b>Nil</b>

The above transactions had been entered into in the ordinary course of business.

There were no significant transactions with Ikhmas Jaya Holdings Sdn Bhd (“IJHSB”) (the controlling shareholder) for the current financial year ended 31 December 2018 and preceding year ended 31 December 2017 except for the amount owing to IJHSB as detailed below:

	<b>As at 31.12.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
Ikhmas Jaya Sdn Bhd	12,049	11,359
Rekavista Sdn Bhd	13	13
Ikhmas Equipment Sdn Bhd	115	115
MM2 Building System Sdn Bhd	1,010	1,010
<b>Total</b>	<b>13,187</b>	<b>12,497</b>

**A15. Contingent Liabilities**

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



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 December		% + / (-)	Financial Year Ended 31 December		% + / (-)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	71,492	118,115	(39.47%)	287,213	303,166	(5.26%)
Operating (loss)/profit	(31,022)	(7,078)	(>100%)	(22,158)	15,067	(>100%)
(Loss)/Profit Before Tax	(35,491)	(6,633)	(>100%)	(34,425)	9,695	(>100%)
(Loss)/Profit After Tax	(32,666)	(5,876)	(>100%)	(30,643)	5,924	(>100%)
(Loss)/Profit Attributable to Equity Holders of the Company	(29,382)	(5,293)	(>100%)	(26,931)	6,929	(>100%)

**Q4 FY2018 versus Q4 FY2017**

The Group recorded a lower revenue of RM71.5 million during the current quarter under review i.e. a decrease of RM46.6 million (or 39.5%) as compared to RM118.1 million recorded in the preceding year corresponding quarter. The lower revenue was mainly due to the decrease in construction activities.

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 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 RM35.1 million during the current quarter under review.

The lower revenue recorded coupled with the abovementioned impairment charges during the current quarter had resulted in the Group's underperformance with a loss before tax of RM35.5 million and loss after tax of RM32.7 million as compared to its loss before tax of RM6.6 million and loss after tax of RM5.9 million posted in the corresponding period a year ago.

Without taking into account the aforesaid impairment charges, the Group would have recorded a lower pre-tax loss of RM0.4 million during the current quarter under review.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

**FY2018 versus FY2017**

The Group recorded a lower revenue of RM287.2 million for the current financial year ended 31 December 2018 i.e. a decrease of RM16.0 million (or 5.3%) as compared to RM303.2 million recorded in the preceding year ended 31 December 2017.

The lower revenue was mainly due to the decrease in construction activities and work done as the three (3) newly secured projects were still in their initial take off phase whilst two of the existing major projects i.e. the bridge project in Melaka and mall project in Kuala Terengganu were already in their completion phase.

During the current financial year under review a lower gross profit margin of 3.2% was recorded as compared to 9.8% gross profit margin achieved during the preceding year.

Without the impairment charges of RM34.0 million on contract assets in the cost of sales, a higher gross profit of RM43.3 million would have been achieved and the average project margin would have been significantly higher at 15.1%.

As a result of the impairment charges, the Group underperformed with a loss before tax of RM34.4 million as compared to profit before tax of RM9.7 million in the preceding year. After taking into account its tax impact, a loss after tax of RM30.6 million was recorded for the current financial year ended 31 December 2018 as compared to a profit after tax of RM5.9 million achieved in the preceding year.



IKHMAS JAYA GROUP BERHAD (1072872-D)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

	<b>Current Quarter Ended 31.12.2018</b>	<b>Immediate Preceding Quarter Ended 30.09.2018</b>	<b>% + / (-)</b>
<b>Revenue</b>	71,492	67,067	6.6%
<b>Operating Loss</b>	(31,022)	(4,262)	(>100%)
<b>Loss Before Tax</b>	(35,491)	(7,526)	(>100%)
<b>Loss After Tax</b>	(32,666)	(4,096)	(>100%)
<b>Loss Attributable to Equity Holders of the Company</b>	(29,382)	(3,977)	(>100%)

**Q4 FY2018 versus Q3 FY2018**

In the current quarter under review, the Group recorded a revenue RM71.5 million i.e. only a slight increase of RM4.4 million (or 6.6%) as compared to RM67.1 million achieved in the preceding quarter ended 30 September 2018.

Excluding the impairment charges during the current quarter of RM36.3 million and preceding quarter of RM10.2 million, the Group would have recorded a profit before tax of RM0.8 million during the current quarter as compared to its pre-tax profit of RM2.7 million achieved in the preceding quarter ended 30 September 2018.

Without the impairment charges of RM26.4 million on contract assets in the cost of sales, average project margin would have been 11.6% during the current quarter (Q4 FY2018) as compared to 14.9% in the preceding quarter (Q3 FY2018).

After taking into account the impairment charges as mentioned in Note B1 above; the Group underperformed with a reported loss of RM32.7 million for the current quarter as compared to a loss of RM4.1 million in the preceding quarter.





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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B3. Prospects**

The Group anticipates the business environment would remain challenging and competitive in view of our domestic economic slowdown, property market overhang, increasing regulatory compliance and deferment of mega infrastructure projects.

In spite of the challenging business environment, the Group will continue to adapt 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 support its continuous bid for new contracts and efforts to grow its business.

Our order book was filled up with additional construction jobs worth approximately RM488.6 million secured in 2018. As at 31 December 2018, our order book stood at approximately RM766.7 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 and continue with cost rationalization to sustain its operation and enhance its cash flow.

The Group would also 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 – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B5. Profit Before Tax**

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

	<b>Current quarter ended 31.12.2018 RM'000</b>	<b>Current financial year ended 31.12.2018 RM'000</b>
Depreciation of property, plant and equipment	4,129	15,896
Depreciation of investment property	121	248
Gain on disposal of property, plant and equipment	(925)	(990)
Impairment loss on property, plant and equipment	404	404
Impairment loss on trade and other receivables	8,671	12,509
Impairment loss on inventories	782	782
Finance income	(514)	(1,123)
Finance costs	4,983	13,390

**B6. Taxation**

	<b>Current quarter ended 31.12.2018 RM'000</b>	<b>Current financial year ended 31.12.2018 RM'000</b>
<b>Income tax expense</b>		
- Current year	(357)	1,045
- Under provision in prior year(s)	-	712
Income tax (credit)/expense	(357)	1,757
<b>Deferred tax expense</b>		
- Current year	(2,468)	(4,829)
- Over provision in prior year(s)	-	(710)
Deferred tax credit	(2,468)	(5,539)
Total tax credit	(2,825)	(3,782)



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 December 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 – FOURTH QUARTER ENDED 31 DECEMBER 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 utilised.

*Save as disclosed above, there were no pending corporate proposals up to 21 February 2019, 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 year ended 31 December 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 year ended 31 December 2018.

**B10. Group Borrowings**

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

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2018</b>			
Finance lease liabilities	13,413	17,258	30,671
Secured term loans	873	4,971	5,844
Secured bank overdrafts	36,820	-	36,820
Banker Acceptance and trust receipts	12,208	-	12,208
Factoring facility	5,754	-	5,754
	<u>69,068</u>	<u>22,229</u>	<u>91,297</u>

All borrowings of the Group are denominated in Ringgit Malaysia.



IKHMAS JAYA GROUP BERHAD (1072872-D)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B11. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risks as at 21 February 2019, 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 December 2018, save for below:

	<b>As at 31.12.2018 RM'000</b>	<b>As at 31.12.2017 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 RM1,425,215.51 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 first (1<sup>st</sup>) Defendant that only the remaining balance amount of RM158,405.34 out of the Judgement Sum of RM1,425,215.51 is still outstanding and owing to the Plaintiff by the 1<sup>st</sup> Defendant.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 1<sup>st</sup> 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. The Plaintiff had filed an application with supporting affidavit to amend the writ of summons and statement of claim. Hearing for the amended application had been fixed on 28 January 2019.

Following the aforesaid, the Court of Appeal had instructed the parties to file the following on or before 14 March 2019:

- Written Submissions;
- Bundle of Authorities;
- Executive Summary (if needed); and
- Common Core Bundle.

The next case management had been fixed on 28 March 2019. The case is now fixed for trial from 26 May to 29 May 2019.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 had been concluded for RM5,273,346 and out of this sum, RM3,518,491 had already been paid thus leaving a remaining balance of RM1,754,855 to be settled in due course.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 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 had been concluded for RM3,266,694 and out of this sum, RM2,500,000 had been paid thus leaving a remaining balance of RM766,694 to be settled in due course.

(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 said Order had been dismissed by the High Court. The case is now fixed for trial from 24 June 2019 to 27 June 2019.





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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B13. Material Litigation (continued)**

- (f) Ikhmas Jaya Sdn Bhd (“IJSB”) vs Ipmuda Berhad (“Plaintiff”)

IJSB had on 4 December 2018 been served a Writ of Summons (Writ) and Statement of Claim (Soc) by the solicitors of the Plaintiff.

The Plaintiff is claiming RM2,974,095 from IJSB being the outstanding amount owing for goods delivered and services provided to IJSB.

The High Court had instructed both parties to file the documents for trial before 12 March 2019. Case management had also been fixed on the same date to update the High Court on the status of the settlement and filing of the documents.



IKHMAS JAYA GROUP BERHAD (1072872-D)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B14. Dividend**

No dividend was declared for the current quarter and financial year ended 31 December 2018.

**B15. Earnings per Share**

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

	<b>Current quarter ended</b>	<b>Current financial year ended</b>
	<b>31.12.2018</b>	<b>31.12.2018</b>
Loss for the quarter/year, attributable to equity owners of the Company (RM'000)	(29,382)	(26,931)
Weighted average number of ordinary shares in issue ('000)*	543,331	543,331
Basic Earnings Per Share (sen)	(5.41)	(4.96)

*\* 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 current financial year.