

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

**Interim financial statements for third
quarter ended 30 September 2019**



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 30 September 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Period Ended 30 September 2019

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Current Quarter	Corresponding Quarter		
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:				
Revenue	62,290	67,067	146,198	215,721
Cost of sales	(71,809)	(62,104)	(179,651)	(188,285)
Gross (loss)/profit	(9,519)	4,963	(33,453)	27,436
Other income	5,550	506	8,701	729
Administrative expenses	(4,291)	(3,221)	(10,682)	(10,596)
Net loss on impairment of financial instrument and contract assets	(3,955)	-	(47,068)	-
Other operating expenses	(1,483)	(6,510)	(7,157)	(8,705)
Finance income	196	332	711	609
Finance costs	(2,275)	(3,596)	(6,944)	(8,407)
(Loss)/Profit before taxation	(15,777)	(7,526)	(95,892)	1,066
Taxation	(109)	3,430	199	957
(Loss)/Profit for the period	(15,886)	(4,096)	(95,693)	2,023
(Loss)/Profit attributable to :				
Equity holders of the Company	(16,017)	(3,977)	(94,569)	2,451
Non-controlling interests	131	(119)	(1,124)	(428)
	(15,886)	(4,096)	(95,693)	2,023
(Loss)/Earnings per share (sen) attributable to owners of the parent:				
- Basic	(2.88)	(0.73)	(17.02)	0.45
- 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 2018

The financial figures for the current quarter ended 30 September 2019 had been reviewed by Messrs KPMG PLT.



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 30 September 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	(Unaudited) As at 30.9.2019	(Audited) As at 31.12.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	74,544	93,200
Investment properties	11,687	12,721
Investment	152	226
Contract assets	26,959	43,735
Deferred tax assets	2,493	2,493
Total non-current assets	<u>115,835</u>	<u>152,375</u>
Current assets		
Trade and other receivables	163,500	173,559
Contract assets	73,637	119,702
Inventories	1,149	866
Current tax assets	3,012	4,292
Cash and cash equivalents	38,350	37,852
Total current assets	<u>279,648</u>	<u>336,271</u>
TOTAL ASSETS	<u><u>395,483</u></u>	<u><u>488,646</u></u>
EQUITY AND LIABILITIES		
Share capital	191,687	182,542
Merger deficit	(68,500)	(68,500)
(Accumulated losses)/Retained profits	(26,822)	67,747
Equity attributable to holders of the company	<u>96,365</u>	<u>181,789</u>
Non-controlling interests	<u>(7,361)</u>	<u>(6,237)</u>
Total equity	<u>89,004</u>	<u>175,552</u>
Non-current liabilities		
Loans and borrowings	15,640	22,656
Deferred tax liabilities	4,785	5,333
Total non-current liabilities	<u>20,425</u>	<u>27,989</u>
Current liabilities		
Trade and other payables	225,010	215,118
Loans and borrowings	58,788	68,074
Current tax liabilities	2,256	1,913
Total current liabilities	<u>286,054</u>	<u>285,105</u>
Total liabilities	<u>306,479</u>	<u>313,094</u>
TOTAL EQUITY AND LIABILITIES	<u><u>395,483</u></u>	<u><u>488,646</u></u>
Net assets per share (RM)	0.16	0.33

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018

The financial figures for the current quarter ended 30 September 2019 had been reviewed by Messrs KPMG PLT.



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 30 September 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Period Ended 30 September 2019

	Attributable to the owners of the Company			Total	Non-controlling interests	Total equity
	Non-distributable	Distributable	Retained earnings/ (Accumulated losses)			
Share capital	Merger Deficit					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
At 1 January 2019	182,542	(68,500)	67,747	181,789	(6,237)	175,552
Shares issued	9,145	-	-	9,145	-	9,145
Loss and total comprehensive expense for the period	-	-	(94,569)	(94,569)	(1,124)	(95,693)
At 30 September 2019	191,687	(68,500)	(26,822)	96,365	(7,361)	89,004

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 2018

The financial figures for the current quarter ended 30 September 2019 had been reviewed by Messrs KPMG PLT.



IKHMAS JAYA GROUP BERHAD (1072872-D)

Interim financial statements for the period ended 30 September 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Period Ended 30 September 2019

	Current Financial Period 30.9.2019 RM'000	Preceding Year Corresponding Period 30.9.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(95,892)	1,066
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	11,060	11,767
Depreciation of investment property	179	141
Gain on disposal of property, plant and equipment	(4,993)	(75)
Gain on disposal of investment property	-	(37)
Impairment losses on:		
- property, plant and equipment	291	-
- trade receivables	515	-
- contract assets	46,553	-
Contract costs written off	24,409	-
Provision for LAD	15,489	-
Write down of inventories	782	-
Finance costs	6,944	8,407
Finance income	(711)	(609)
Operating profit before changes in working capital	<u>4,626</u>	<u>20,660</u>
Changes in working capital:		
Inventories	(1,066)	(19)
Trade and other receivables	9,544	2,143
Trade and other payables	9,890	4,744
Contract assets	(23,610)	-
Cash (used in)/generated from operations	<u>(616)</u>	<u>27,528</u>
Tax paid	(7)	-
Tax refund	1,281	-
Interest paid	(1,427)	(8,407)
Net cash (used in)/ generated from operating activities	<u>(769)</u>	<u>19,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(27)	-
Proceeds from disposal of property, plant and equipment	13,256	672
Interest received	711	609
Net cash generated from investing activities	<u>13,940</u>	<u>1,281</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from /(Repayments of) bankers' acceptances and trust receipts	825	(18,720)
(Repayments of)/Proceeds from loans and other borrowings	(3,987)	208
Proceeds from issuance of shares	9,145	8,550
Repayments of finance lease liabilities	(8,648)	(10,681)
Interest paid	(5,517)	-
Increase in pledged fixed deposits	(1,114)	(7,837)
Net cash used in financing activities	<u>(9,296)</u>	<u>(28,480)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	3,875	(8,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>(35,260)</u>	<u>(27,138)</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	<u><u>(31,385)</u></u>	<u><u>(35,216)</u></u>
*Cash and cash equivalents at the end of the financial period comprised the following:		
Fixed deposits with licensed banks	37,967	35,988
Less: Pledged deposits	(37,967)	(35,988)
	-	-
Cash and bank balances	383	865
Bank overdrafts	(31,768)	(36,081)
	<u>(31,385)</u>	<u>(35,216)</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 2018

The financial figures for the current quarter ended 30 September 2019 had been reviewed by Messrs KPMG PLT.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

A1. Basis of preparation

Statement of compliance

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

These are the third interim financial statements on the consolidated results for the third quarter and financial period ended 30 September 2019 announced by the Group 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 2018. 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 2018.

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 2018.

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 income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

The Group has prepared its interim financial statements on a going concern basis, notwithstanding that the Group incurred a net loss of RM95.7 million for the 9 months period ended 30 September 2019. As at that date, the Group's current liabilities exceeded its current assets by RM6.4 million.

The Group has prepared and considered prospective financial statements 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 statements 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.

In preparing the profit and cash flow forecasts, the Directors have also considered the availability of cash and adequacy of banking facilities and plan to raise fund to finance the necessary working capital requirements.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

A1. Basis of preparation (continued)

Statement of compliance (continued)

The Group has initiated various action plans which are currently in motion to increase its order book and strengthen its financial performance and position.

The action plans are given in brief as follows:

- (i) Actively seeking collaboration with a few potential business partners and alliances to jointly tender and undertake future mega infrastructure projects. Such strategic partnership or alliance would increase the chances of securing the projects and give leverage to the Group to enhance its operating and financial position;
- (ii) Seek potential suitors to come onboard as strategic investor(s) which would ultimately lead to business synergies, new opportunities as well as fresh capital;
- (iii) Aggressively bid for new projects with the strategic partners as mentioned in (i) and (ii) above to increase order book;
- (iv) Negotiating with its major existing suppliers and subcontractors to increase credit facilities and taking measures to increase its pool of suppliers and subcontractors;
- (v) Raise funds via private placement, when necessary;
- (vi) Continue to intensify its focus and efforts to enhance cost monitoring and execution delivery for all its projects; and
- (vii) Continuously seek fresh banking facilities on more favourable credit terms for the future projects.

At the announcement date of these interim financial statements, the Directors believe that the business will be able to realise its assets and discharge its liabilities in the normal course of business for the next 12 months. Accordingly, the interim financial statements are prepared on a going concern basis.

The interim financial statements of the Group do not include any adjustments relating to the recoverability and classification of recorded asset amounts or additional amounts and classification of liabilities that may be necessary should the aforesaid plans not materialised.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

A2. Changes in Accounting Policies

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.

Based on the assessment performed, the Group and the Company do not expect any material financial impact arising from MFRS 16.

A3. Significant Accounting Policies

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

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

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendment to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

MFRSs, Interpretations and amendments 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*



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

A4. 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 2018 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 and financial period ended 30 September 2019 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 financial period under review.

A8. Debt and Equity Securities

There was no cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period ended 30 September 2019.

A9. Dividends Paid

No dividends were paid by the Company in the current quarter and financial period ended 30 September 2019.

A10. Segmental Reporting

The Group is predominantly involved in civil and building construction, which is the only reportable segment. Other non-reportable segments such as sales of goods and services, equipment hiring and rental of properties did not meet the quantitative thresholds for segmental reporting in 2019 and 2018. 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.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

A12. Significant Post Balance Sheet Event

There were no material events as at 28 November 2019, 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.

A13. 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 2019.

A14. Significant Related Party Transactions and/or Balances

There were no significant related party transactions for the current quarter and financial period ended 30 September 2019 and preceding year ended 31 December 2018.

The amount owing by the Group's entities to Ikhmas Jaya Holdings Sdn Bhd (a controlling shareholder) and Directors is given as detailed below:

	As at 30.9.2019 RM'000	As at 31.12.2018 RM'000
Group's entities		
Ikhmas Jaya Sdn Bhd	15,546	12,049
Rekavista Sdn Bhd	13	13
Ikhmas Equipment Sdn Bhd	115	115
MM2 Building System Sdn Bhd	1,010	1,010
Total	16,684	13,187
Directors	Total	6,541
		4,673

A15. Contingent Liabilities

There were no material contingent liabilities for the Group as at 30 September 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

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		% + / (-)
	2019	2018		2019	2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	62,290	67,067	-7.1%	146,198	215,721	-32.2%
Operating (Loss)/Profit	(13,698)	(4,262)	>-100%	(89,659)	8,864	>-100%
(Loss)/Profit Before Tax	(15,777)	(7,526)	>-100%	(95,892)	1,066	>-100%
(Loss)/Profit After Tax	(15,886)	(4,096)	>-100%	(95,693)	2,023	>-100%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(16,017)	(3,977)	>-100%	(94,569)	2,451	>-100%

Q3 FY2019 versus Q3 FY2018

The Group achieved a lower revenue of RM62.3 million during the current quarter under review i.e. a decrease of RM4.8 million (or 7.1%) as compared to RM67.1 million recorded in the preceding year's corresponding quarter.

The lower revenue was mainly due to the fact that all new major key projects such as flood mitigation project in Sungai Pendang - Kedah, Duke 3 – section 4 and Light Rail Transit 3 from Bandar Utama to Johan Setia Package GS09 (“LRT3-GS09”) have yet to move into their acceleration phase in their progress of construction. Whilst for the existing major key projects; they are either plateauing towards their completion or already completed and now pending for finalisation of account. As such, their revenue and earnings contribution during the current quarter had been relatively weaker in comparison.

A lower revenue, coupled with provisional charges of RM7.8 million for liquidated ascertained damages (“LAD”), contract costs written off of RM2.9 million and impairment charges of RM3.7 million on contract assets, led to a loss before tax of RM15.8 million during the current quarter ended 30 September 2019 as compared to a loss before tax of RM7.5 million attained during the preceding year's corresponding quarter.

The impairment charges on contract assets and contract costs written off were solely either on the existing major key projects which are nearing completion or completed projects which are now in their account finalisation stage.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

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

9M FY2019 versus 9M FY2018

The Group recorded a lower revenue of RM146.2 million for the current financial period ended 30 September 2019 i.e. a decrease of RM69.5 million (or 32.2%) as compared to RM215.7 million recorded in the preceding year corresponding period ended 30 September 2018.

A lower revenue, coupled with a provisional charge of RM15.5 million for liquidated ascertained damages (“LAD”), contract costs written off of RM24.4 million and impairment charges of RM46.6 million on contract assets, led to a loss before tax of RM95.9 million during the current financial period ended 30 September 2019 as compared to a profit before tax of RM1.1 million attained during the preceding year’s corresponding financial period ended 30 September 2018.

As mentioned above, with its major projects in their initial take off phase had resulted in a temporary respite in revenue and earnings contribution to the Group during the first (1st) nine (9) months of the current financial year as compared to its performance a year ago. This coupled with the charges for LAD, contract costs written off and impairment charges on contract assets had resulted in the Group’s underperformance during the current financial period ended 30 September 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 30.9.2019	Immediate Preceding Quarter Ended 30.6.2019	% + / (-)
Revenue	62,290	16,722	>100%
Operating Loss	(13,698)	(62,773)	78.2%
Loss Before Tax	(15,777)	(64,637)	75.6%
Loss After Tax	(15,886)	(64,403)	75.3%
Loss Attributable to Ordinary Equity Holders of the Parent	(16,017)	(63,837)	74.9%

During the current quarter under review, the Group recorded a revenue of RM62.3 million i.e. an increase of RM45.6 million (or >100%) as compared to RM16.7 million reported in the preceding quarter ended 30 June 2019. This was due to improvement in progress in construction activities of its major existing and newly secured projects.

Despite the aforesaid, the charges for LAD (i.e. RM7.8 million in Q3 FY2019 versus RM4.7 million in Q2 FY2019), contract costs written off (i.e. RM2.9 million in Q3 FY2019 versus RM16.3 million in Q2 FY2019) and impairment of contract assets (i.e. RM3.7 million in Q3 FY2019 versus RM37.2 million in Q2 FY2019) resulted in the Group reporting a lower loss before tax of RM15.8 million in the current quarter as compared to a loss before tax of RM64.6 million incurred in the preceding quarter.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B3. Prospects

The Group anticipates the business environment to remain very challenging and competitive in view of our domestic economic slowdown, property market overhang, stringent credit conditions imposed by banks and increasing regulatory compliance cost.

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.

With the revival of East Coast Rail Link (“ECRL”) and Bandar Malaysia, the Group is well positioned to capitalise on the prospect of job opportunities arising there from considering its vast experience and core expertise in bore piling and substructure works, superstructure works, bridges, roads and other infrastructure works.

The Group is cautiously optimistic of a better outlook of things to come in the next financial year and beyond. Its order book stood at approximately RM613.2 million as at 30 September 2019. Such order book would give the Group good prospect of earnings visibility moving forward.

B4. Profit Forecast or Profit Guarantee

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

B5. Profit Before Tax

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

	Current quarter ended 30.9.2019 RM'000	Current financial period ended 30.9.2019 RM'000
Depreciation of property, plant and equipment	3,609	11,060
Depreciation of investment property	59	179
Gain on disposal of property, plant and equipment	(2,641)	(4,993)
Impairment of property, plant and equipment	-	291
Impairment of trade receivables	249	515
Impairment of contract assets	3,706	46,553
Contract costs written off	2,895	24,409
Write down of inventories	-	782
Finance income	(196)	(711)
Finance costs	2,275	6,944



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B6. Taxation

	Current quarter ended 30.9.2019 RM'000	Current financial period ended 30.9.2019 RM'000
Current tax expense	348	351
Deferred tax expense	(457)	(152)
	<u>(109)</u>	<u>199</u>

B7. Status of Corporate Proposal

Proposed Private Placement

On 30 April 2019, the Company announced the proposal to undertake a private placement of up to 54,535,000 new ordinary shares ("Placement Shares) in the Company, representing up to 10% of the total number of issued shares of the Company to investors to be identified later and at an issue price to be determined by the Board.

Bursa Malaysia Securities Berhad ("BMSB") had, vide its letter dated 14 May 2019 approved the listing and quotation of the Placement Shares to be issued pursuant to the abovementioned proposed private placement.

On 18 July 2019, 20,000,000 Placement Shares had been issued to various investors at the price of RM0.21 per share raising a gross proceeds of RM4.20 million and the Placement Shares had been quoted on the Main Market of BMSB.

On 1 August 2019, 23,000,000 Placement Shares had been issued to various investors at the price of RM0.215 per share raising a gross proceeds of RM4.95 million and the Placement Shares had been quoted on the Main Market of BMSB.

In total, the abovementioned private placements had raised additional long term capital funding of RM9.15 million for the Group.

As at the date of this announcement, there is still a balance of 11,350,000 Placement Shares to be issued.

Save as disclosed above, there were no other pending corporate proposals up to 22 November 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 period ended 30 September 2019.

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 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B10. Group Borrowings

The Group's borrowings as at 30 September 2019 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
As at 30 September 2019			
Finance lease liabilities	10,027	11,989	22,016
Secured term loans	225	3,651	3,876
Secured bank overdrafts	31,768	-	31,768
Banker Acceptance and trust receipts	13,033	-	13,033
Factoring facility	3,735	-	3,735
	<u>58,788</u>	<u>15,640</u>	<u>74,428</u>
As at 31 December 2018			
Finance lease liabilities	13,526	17,139	30,665
Secured term loans	327	5,517	5,844
Secured bank overdrafts	36,259	-	36,259
Banker Acceptance and trust receipts	12,208	-	12,208
Factoring facility	5,754	-	5,754
	<u>68,074</u>	<u>22,656</u>	<u>90,730</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

B11. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at 22 November 2019, being a date not earlier than 7 days from the date of this announcement.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. 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 the 1st 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 1st Defendant.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B.12 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. 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 was fixed for trial from 26 May 2019 to 29 May 2019. Hearing of the case had been adjourned to 15 July 2019.

The Court of Appeal had adjourned the Hearing for the Appeal and Application to 12 September 2019 to put in fresh evidence. And now the Court of Appeal has fixed the matter for case management on 3 December 2019. The Erinford Injunction is still in place till 3 December 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. 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 out of court 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 last quarterly announcement – 30 August 2019, there was still a remaining balance of RM1,452,905.87 to be settled in due course.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

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

(iv) Kuala Lumpur High Court Companies Winding Up No. BA-28NCC-442-07/2019 between BSG Construction (M) Sdn Bhd (“Petitioner”) and Ikhmas Jaya Group Berhad (“IJGB”).

IJGB was served with a Winding Up Petition (“Petition”) dated 19 July 2019 together with Affidavit by the Petitioner demanding for payment of the abovementioned remaining balance owing by IJSB to the Petitioner. The Court has fixed the case for mention on 28 August 2019. The Court has allowed the plaintiff to gazette the Winding Up Petition Order on 12 September 2019 and hearing has been fixed on 15 October 2019.

IJGB and the Petitioner had successfully reached an amicable out of court settlement. And the Petitioner’s legal representative had withdrawn the Winding Up Petition via Court Order dated 24 October 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

- (d) Cemix Concrete (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”)

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 out of court 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, there is a remaining balance of RM1,021,499.28 (including interest charges of RM388,799.20) to be settled in due course.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

- (e) Ikhmas Jaya Sdn. Bhd. (“IJSB”) vs ASM Development (KL) Sdn. Bhd. Kuala Lumpur High Court Suit No. WA-22C-64-08/2018

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 (“the Plaintiff”) 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 had been fixed for trial from 5 August 2019 to 8 August 2019. The High Court has adjourned the case for full trial from 17 September 2019 to 18 September 2019. It had been fixed for case management on 20 November 2019 and the High Court had recorded Consent Judgement against the Defendant for the sum of RM11,641,060.54 on the same date.

The Plaintiff’s solicitors are now preparing the documentation to file a fresh legal suit against the Defendant amounting to approximately RM2,942,704.15 (which is still pending finalization) in a separate claim as instructed by the Court.

On 14 November 2019, the Defendant had filed fresh suit (Court Suit No. WA-22C-96-11/2019) of counter claim for defect works and delay in completion of works against the Plaintiff for the sum of RM13,325,867.22 in midst of filing their defence. It had been fixed for case management on 21 January 2020.

As such, the judgement sum against the Defendant for RM11,641,060.54 is stayed pending outcome of the counter claim legal suit taken by the Defendant against the Plaintiff.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

- (f) Ipmuda Berhad vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”)

Shah Alam High Court Civil Suit between Ipmuda Berhad (“The Plaintiff”), Ikhmas Jaya Sdn. Bhd. (“The 1st Defendant”) and Ikhmas Jaya Group Berhad (“The 2nd Defendant”) (Collectively “The Defendants”)

The Plaintiff had sold and delivered goods to IJSB. IJSB had failed to settle the principal sum of RM2,346,941.89 and agreed interest of RM627,153.18 totalling RM2,974,095.07.

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.

On 4 December 2018, IJSB and IJGB had been served a Writ of Summons (“Writ”) and Statement of Claim (“SoC”) dated 30 November 2018 by the solicitors of the Plaintiff. The Plaintiff is claiming the following:

- (i) an order that the Defendants pay the Plaintiff immediate cash amounting to RM2,974,095.07 or alternative forms;
- (ii) the principal sum of RM2,346,941.89 and agreed interest of RM627,153.18;
- (iii) interest rate of 5% per annum from the Judgment date and the Court Order until full settlement;
- (iv) legal costs of RM150,000 or other court costs; and
- (v) all orders as may be determined by the Court.

Case management had been fixed on 15 March 2019. The High Court instructed both parties to file updated documents on 4 April 2019 for trial. The hearing date for Order 14 had been fixed by the High Court to be held on 19 July 2019. Summary Judgement was recorded and a sealed copy of which had been served on the Defendants on 19 August 2019.

The Defendants and the Plaintiff had reached an amicable out of court settlement and the Winding Up Petition No. BA-28NCC-603-09/2019 had been withdrawn via Court Order dated 24 October 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

(g) Sunway Geotechnics (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)

On 1 March 2019, IJSB (“the Defendant”) had been served a sealed copy of the Originating Summons (filed in Shah Alam High Court) by the solicitors of Sunway Geotechnics (M) Sdn Bhd (“the Plaintiff”). The Plaintiff is claiming the following:

- (i) payment of principal sum for balance work done for RM8,202,205.75 and RM492,132.34 for service tax under the subcontract;
- (ii) pre-decision interest of RM104,493.85;
- (iii) party and party costs of this claim of RM45,000; and
- (iv) full cost of Adjudicator’s fee and expense as well as Asian International Arbitration Centre’s administrative cost taxed at RM61,289.

The matter had been fixed for case management on 26 March 2019. Both Plaintiff and Defendant requested for the case management to be deferred to 7 May 2019 and subsequently to 29 July 2019 as both parties were in the midst of working and finalising for an out of court settlement. Both parties entered into a Deed of Settlement and the legal suit was withdrawn by the Plaintiff on 19 August 2019.

(h) Ikhmas Jaya Sdn Bhd (“IJSB”) (“Plaintiff”) vs DJ Design & Suppliers (“Defendant”).
Kuala Lumpur High Court Writ of Summons (“Writ”) No. WA-22NCVC-394-06/2019.

IJSB had via its solicitors served a Writ and Statement of Claim on the Defendant to claim for specific performance on the Settlement Agreement dated 17 April 2017 and Supplementary Agreement dated 21 March 2018.

Breakdown of the claims amounting to RM90,112,813.26 in summary is given as in the following:

- (i) RM46,237,500.00 - market worth for twenty three (23) units of high end high rise and fully furnished apartments (“Damai 88 properties”) in Ampang, Kuala Lumpur.
- (ii) RM6,304,851.90 - undertaking given by Defendant to pay various nominated subcontractors and suppliers of Plaintiff.
- (iii) RM15,705,500.00 - balance of cash instalment payment which has been long overdue as the Defendant failed to honour its obligations.
- (iv) RM21,864,961.36 - outstanding interest charges at the rate of 1.5% per month on overdue instalments.

The Court had fixed the matter for case management on 6 September 2019. The case had been adjourned to 30 October 2019. Due to the circumstance that the Defendant had been adjudged wound up on 5 August 2019; the Plaintiff had to withdraw the legal suit against the Defendant.

IJSB’s solicitors are now preparing to file in the proof of debt with the Official Assignee (“OA”) of the Defendant whilst at the same time working with the Defendant’s banker to release the Damai 88 properties free from encumbrances to IJSB of which is targeted for completion by end of December 2019.



IKHMAS JAYA GROUP BERHAD (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019

B12. Material Litigation (continued)

- (i) Ilham Metro Construction Sdn Bhd (“Plaintiff”) vs Ikhmas Jaya Group Berhad (“IJGB”)
Shah Alam High Court Civil Suit No. BA-22NCvC-431-10/2019

On 15 October 2019, the Plaintiff served IJGB with a Writ of Summons dated 3 October 2019 and Statement of Claim dated 2 October 2019 for a sum of RM1,350,000.00 being balance of friendly loan owing to the Plaintiff. Interest on the outstanding amount would be imposed at the rate of 5% per annum until the date of full and final settlement.

On 1 November 2019, both IJGB and the Plaintiff had reached an amicable out of court settlement with the execution of a formal debt settlement agreement.

B13. Dividend

No dividend was declared for the current quarter and financial period ended 30 September 2019.

B14. Earnings per Share

The earnings per share for the current quarter and current financial period ended 30 September 2019 is computed as follows:-

	Current quarter ended	Current financial period ended
	30.9.2019	30.9.2019
Loss for the quarter/period, attributable to owners of the parent company (RM'000)	(16,017)	(94,569)
Weighted average number of ordinary shares in issue ('000)	555,794	555,794
Basic Loss Per Share (sen)	(2.88)	(17.02)

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 2019.