

Ikhmas Jaya Group Berhad

Company No. 201301043050 (1072872-D)

(Incorporated in Malaysia)

**Interim financial statements for second
quarter ended 30 June 2020**



IKHMAS JAYA GROUP BERHAD Registration No: 201301043050 (1072872-D)
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 For the Financial Period Ended 30 June 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Current Quarter 30.06.2020 RM'000	Preceding Year Corresponding Quarter 30.06.2019 RM'000	Current Year 30.06.2020 RM'000	Preceding Year (Audited) 30.06.2019 RM'000
Continuing Operations:				
Revenue	10,804	16,722	21,131	83,909
Cost of sales	(11,388)	(38,661)	(19,750)	(107,842)
Gross (loss)/profit	(584)	(21,939)	1,381	(23,933)
Other income	4,609	2,270	7,974	3,151
Administrative expenses	(2,197)	(2,945)	(4,522)	(6,391)
Other operating expenses	(287)	(40,161)	(3,410)	(48,788)
Finance income	61	316	110	515
Finance costs	(846)	(2,179)	(1,483)	(4,669)
Profit/(Loss) before taxation	756	(64,638)	50	(80,115)
Taxation	-	234	-	308
Profit/(Loss) for the year	756	(64,404)	50	(79,807)
Profit/(Loss) attributable to :				
Equity holders of the Company	595	(63,837)	(80)	(78,552)
Non-controlling interests	161	(567)	130	(1,255)
	756	(64,404)	50	(79,807)
Profit/(Loss) per share (sen) attributable to owners of the parent:				
- Basic	0.10	(11.71)	(0.01)	(14.40)
- Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.



IKHMAS JAYA GROUP BERHAD Registration No: 201301043050 (1072872-D)
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
 For the Financial Period Ended 30 June 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Current Quarter 30.06.2020 RM'000	Preceding Year Corresponding Quarter 30.06.2019 RM'000	Current Year 30.06.2020 RM'000	Preceding Year (Audited) 30.06.2019 RM'000
Profit/(Loss) for the year	756	(64,404)	50	(79,807)
Other comprehensive income: <i>Items that will not be reclassified to profit or loss:</i>				
Revaluation of property, plant and equipment	14,020	-	14,020	-
Deferred tax liability relating to revaluation of property, plant and equipment	(1,402)	-	(1,402)	-
Other comprehensive income for the year, net of tax	12,618	-	12,618	-
Total comprehensive income/ (loss) for the year, net of tax	13,374	(64,404)	12,668	(79,807)
Total comprehensive income/ (loss) attributable to:				
Equity holders of the Company	13,213	(63,837)	12,538	(78,552)
Non-controlling interests	161	(567)	130	(1,255)
	13,374	(64,404)	12,668	(79,807)

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.



IKHMAS JAYA GROUP BERHAD Registration No: 201301043050 (1072872-D)
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	(Unaudited) As at 30.06.2020 RM'000	(Audited) As at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,429	16,938
Investment properties	7,746	10,585
Investment	4	4
Contract assets	11,916	11,916
Right-of-use assets	19,251	26,686
Total non-current assets	66,346	66,129
Current assets		
Trade and other receivables	167,491	160,818
Contract assets	65,672	67,900
Inventories	34	254
Current tax assets	1,153	2,644
Cash and bank balances	15,450	28,531
	249,800	260,147
Assets classified as held for sale	7,360	4,618
Total current assets	257,160	264,765
TOTAL ASSETS	323,506	330,894
EQUITY AND LIABILITIES		
Share capital	191,687	191,687
Reserve	(143,494)	(156,032)
Equity attributable to holders of the Company	48,193	35,655
Non-controlling interests	(7,874)	(8,004)
Total equity	40,319	27,651
Non-current liabilities		
Loans and borrowings	262	1,947
Lease liabilities	5,757	8,427
Deferred tax liabilities	7,870	6,469
Total non-current liabilities	13,889	16,843
Current liabilities		
Trade and other payables	243,861	223,107
Contract liabilities	119	22,351
Lease liabilities	9,561	8,380
Loans and borrowings	13,396	30,205
Current tax liabilities	2,361	2,357
Total current liabilities	269,298	286,400
Total liabilities	283,187	303,243
TOTAL EQUITY AND LIABILITIES	323,506	330,894
Net assets per share (RM)	0.07	0.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.



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 INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the Financial Period Ended 30 June 2020

	Attributable to the owners of the Company						Total equity RM'000	
	Share capital RM'000	Non-distributable				Retained earnings/ (Accumulated losses) RM'000		Total RM'000
		Merger Deficit RM'000	Revaluation reserve RM'000	Other reserve RM'000	Non-controlling interests RM'000			
At 1 January 2019	182,542	(68,500)	-	-	67,747	181,789	(6,237)	175,552
Equity contribution from waive of debts	-	-	-	2,500	-	2,500	-	2,500
Shares issued	9,145	-	-	-	-	9,145	-	9,145
Loss and total comprehensive expense for the year	-	-	-	-	(157,779)	(157,779)	(1,767)	(159,546)
At 31 December 2019	<u>191,687</u>	<u>(68,500)</u>	<u>-</u>	<u>2,500</u>	<u>(90,032)</u>	<u>35,655</u>	<u>(8,004)</u>	<u>27,651</u>
At 1 January 2020	191,687	(68,500)	-	2,500	(90,032)	35,655	(8,004)	27,651
Profit and total comprehensive income for the year	-	-	12,618	-	(80)	12,538	130	12,668
At 30 June 2020	<u>191,687</u>	<u>(68,500)</u>	<u>12,618</u>	<u>2,500</u>	<u>(90,112)</u>	<u>48,193</u>	<u>(7,874)</u>	<u>40,319</u>

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 2019.



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INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the Financial Period Ended 30 June 2020

	Current Financial Year 30.06.2020 RM'000	Preceding Year 30.06.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	50	(15,478)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	3,528	3,757
Depreciation of investment property	97	60
Loss on disposal of subsidiaries	1,777	-
Gain on disposal of property, plant and equipment	(3,261)	(703)
Impairment of contract assets	-	7,029
Reversal of impairment loss on property, plant and equipment	(691)	-
Finance costs	1,412	2,490
Finance income	(110)	(200)
Operating profit/(loss) before changes in working capital	<u>2,802</u>	<u>(3,045)</u>
Changes in working capital:		
Inventories	220	(20)
Trade and other receivables	(6,673)	8,280
Trade and other payables	31,712	2,493
Contract assets	(20,004)	(3,849)
Cash generated from operations	<u>8,057</u>	<u>3,859</u>
Tax refund	1,495	850
Interest paid	-	(702)
Net cash from operating activities	<u>9,552</u>	<u>4,007</u>



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INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020
 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - continued
For the Financial Period Ended 30 June 2020

	Current Financial Year 30.06.2020 RM'000	Preceding Year 30.06.2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(15)
Disposal of investment in subsidiaries	(1,797)	-
Proceeds from disposal of property, plant and equipment	430	3,298
Proceeds from disposal of subsidiaries	20	-
Interest received	110	200
Net cash (used in)/from investing activities	<u>(1,237)</u>	<u>3,483</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bankers' acceptances and trust receipts	(4,149)	(2,378)
Repayment of loan and other borrowings	(1)	(97)
Repayment of finance lease liabilities	(1,489)	(2,435)
Placement of fixed deposits	-	(367)
Withdrawal of fixed deposits	16,243	-
Interest paid	(1,412)	(1,788)
Net cash from/(used in) financing activities	<u>9,192</u>	<u>(7,065)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,507	425
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>(22,598)</u>	<u>(35,260)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE *	<u><u>(5,091)</u></u>	<u><u>(34,835)</u></u>
*Cash and cash equivalents at the end of the financial year comprised the following:		
Fixed deposits with licensed banks	11,753	37,221
Less: Pledged deposits	<u>(11,753)</u>	<u>(37,221)</u>
	-	-
Cash and bank balances	3,697	726
Bank overdrafts	<u>(8,788)</u>	<u>(35,561)</u>
	<u><u>(5,091)</u></u>	<u><u>(34,835)</u></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 2019.



IKHMAS JAYA GROUP BERHAD Registration No: 201301043050 (1072872-D)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

A1. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements are unaudited and 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 second interim financial statements on the consolidated results for the second quarter and financial period ended 30 June 2020 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 2019. 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 2019.

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 2019 other than as disclosed in A2 and A10 of this quarterly report.

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's current liabilities exceeded its current assets by RM12.14 million. There are material uncertainties that may cast significant doubt on the ability of the Group to meet their obligations as and when they fall due and to continue as going concerns.

The Group has prepared profit and cash flow forecasts and will continue to monitor and assess the cash positions of the Group on a regular basis.

In order to address the Group's material uncertainty relating to going concern highlighted in the auditor's report for financial year ended 2019, the management has taken actions as follow:

- a. Disposal of investment properties, property, plant and equipment to improve working capital structure of the Group.
- b. Proposed a private placement of 232,143,000 new ordinary shares in Ikhmas ("Ikhmas Shares" or "Shares") ("Placement Shares"), representing approximately 39.46% of the Company's existing number of issued Shares (excluding any treasury shares) ("Proposed Private Placement").

On 24 August 2020, Bursa Malaysia Securities Berhad ("Bursa Securities") has given its approval for an extension of time to the Group to submit the draft circular to shareholders in relation to the Proposed Private Placement to the Bursa Securities by 25 October 2020.

- c. Multiple other corporate exercises which are under finalisation stages to improve the financial position of the Group.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

A2. Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2019 except for the adoption of the following Amendments to MFRSs:-

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101	Presentation of Financial Statements – Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Revised Conceptual Framework for Financial Reporting</i>	Interest Rate Benchmark Reform

The adoption of the above Amendments to MFRSs does not have significant financial impact to the Group.

Changes in accounting policies:

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019 except as follows:

(a) Revaluation of land and building (property, plant and equipment)

The Group re-assessed its accounting policy for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

During the financial period ended 30 June 2020, the Group elected to change the method of accounting for land and building classified as property, plant and equipment, as the Group believes that the revaluation model more effectively demonstrates the carrying value of the land and building. Therefore, the Group has appointed an independent professional valuer to value the land and building and arrive the fair valuation of the said land and building.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

A2. Significant Accounting Policies - continued

The land and building will be measured at fair value at the date of the revaluation less any subsequent accumulated impairment losses. The Group will apply the revaluation model prospectively.

The deferred tax implication on the revaluation gain amounting to RM1,401,950 is arrived at by using 10% tax rate of Real Property Gains Tax (“RPGT”) on the revaluation gain of the land and building.

The impacts due to recognition of land and building in property, plant and equipment at revaluation model is as detailed below:

	Property, plant and equipment RM'000
Net book value as at 30 June 2020*	2,660
Revaluation gain recognised due to change in accounting policy of land and building from cost model to revaluation model	14,020
Fair value as at 30 June 2020	<u>16,680</u>

* The Group changed the accounting policy with respect to measurement of land and building during the financial period ended 30 June 2020, therefore the fair value of the land and building was not measured at 1 January 2020 and 31 December 2019.

A3. Auditor’s Report

The auditor’s report of the Group for the year ended 31 December 2019 carries a material uncertainty related to going concern which indicates the Group incurred a net loss of RM159,546,000 respectively for the financial year ended 31 December 2019 and, as of that date, the current liabilities of the Group exceeded its current assets by RM21,635,000.

A4. Seasonality or Cyclicity of Interim Operations

The business operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors. However, the result of second quarter ended 30 June 2020 was affected by unprecedented challenging operating environment due to Covid-19 pandemic.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the financial period ended 30 June 2020, the Group has recognised a revaluation gain, net of tax amounting to RM12,617,552 arising from the revaluation of its property, plant and equipment in the financial statements. The revaluation gain of RM12,617,552 does not have any impact on the cash flows of the Group.

A6. Material Effect of Changes in Estimates of Amounts Reported in Prior Interim Periods or Prior Financial Years

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements for the current period under review.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter ended 30 June 2020.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 June 2020.

A9. Segmental Reporting

The Group is predominantly involved in civil and building construction, which is the only reportable segment. Other non-reportable segments comprise manufacturing and sales of prefabricated building system. None of these segments met the quantitative thresholds for reporting segments in 2020 and 2019. All the Group's operations are carried out in Malaysia.

A10. Property, plant and equipment

The Management determined that the freehold and leasehold land and building constitutes one class of asset under MFRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the freehold and leasehold land and building.

Fair value of the freehold and leasehold land and building were determined using the market comparison method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of each specific properties. As at the date of valuation, the freehold and leasehold land and building's fair value was assessed and confirmed by management based on valuations performed by an independent professional valuer specialising in valuing property of similar nature.

The changes in accounting policy in relation to property, plant and equipment from cost model to revaluation model during the financial period ended 30 June 2020 and the effects of the changes have been disclosed in Note A2.

If the freehold and leasehold land and building were measured using the cost model, its carrying amount would have been RM2.55 million (31 December 2019: RM2.18 million) as at 30 June 2020.

A11. Investment Properties

During the financial period ended 30 June 2020, investment properties of the Group comprising of 2 units of service apartments with carrying amount of RM2.72 million (2019: NIL) were transferred to assets held for sale because the Group plans to dispose the investment properties to improve working capital structure of the Group.

A12. Significant Post Balance Sheet Event

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A13. Changes in Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

A14. Contingent Liabilities

As at the date of this announcement, the Group had contingent liabilities as follows:

	Current quarter as at 30.06.2020	Audited as at 31.12.2019
	RM'000	RM'000
Guarantees		
Guarantees given to:		
-Subsidiaries' creditors	19,337	19,337
-Banks for facilities granted to subsidiaries	13,188	32,170
	<u>32,525</u>	<u>51,507</u>



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Performance of the Group

	Quarter Ended 30 June		% + / (-)	Cumulative Period Ended 30 June		% + / (-)
	2020	2019		2020	2019	
	RM'000	RM'000		RM'000	RM'000	
Revenue	10,804	16,722	-35.39%	21,131	83,909	-74.82%
Operating Profit/(Loss)	1,541	(62,773)	>-100%	1,423	(75,961)	>-100%
Profit/(Loss) Before Tax	756	(64,637)	>-100%	50	(80,115)	>-100%
Profit/(Loss) After Tax	756	(64,403)	>-100%	50	(79,807)	>-100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	595	(63,837)	>-100%	(80)	(75,552)	>-100%

The Group recorded a revenue of RM10.8 million for the current quarter ended 30 June 2020 i.e. a decrease of RM5.92 million (or -35.39%) as compared to RM16.72 million recorded in the preceding year corresponding quarter ended 30 June 2019.

The Group reported a profit before tax RM0.76 million for the current quarter ended 30 June 2020 i.e. an increase of RM65.39 million as compared to RM64.64 million losses recorded in the preceding year corresponding quarter ended 30 June 2019.

The increase in operating profit is mainly due to additional progress on work done of ongoing projects and additional variation orders received for one of the ongoing projects.

B2. Comparison with Preceding Quarter's Results

	Current Quarter Ended 30.06.2020 (RM'000)	Immediate Preceding Quarter Ended 31.03.2020 (RM'000)	% + / (-)
Revenue	10,804	10,327	4.62%
Operating Profit/(Loss)	1,541	(118)	>-100%
Profit/(Loss) Before Tax	756	(706)	>-100%
Profit/(Loss) After Tax	756	(706)	>-100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	595	(675)	>-100%

During the current quarter under review, the Group recorded a revenue of RM10.8 million i.e. an increase of RM0.48 million (or 4.62%) as compared to RM10.33 million reported in preceding quarter ended 31 March 2020.

The Group reported a profit before tax RM0.76 million for the current quarter ended 30 June 2020 i.e. an increase of RM1.47 million as compared to RM0.71 million loss recorded in the preceding year corresponding quarter ended 31 March 2020.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B2. Comparison with Preceding Quarter's Results - continued

The increase in operating profit is mainly due to additional progress on work done of ongoing projects and additional variation orders received for one of the ongoing projects. Furthermore, there is a reversal of previously recognised impairment loss on property, plant and machinery amounting to RM0.69 million due to disposal of the said property, plant and machinery in current quarter.

B3. Prospects

The Group expects financial year 2020 to remain challenging in terms of competition from companies within similar industries and slowing down of the global as well as domestic economic environment due to the Covid-19 pandemic. Additionally, the emergence of Covid-19 pandemic has delayed the progress of ongoing projects of the Group as compared to previous financial year. The Group is actively tendering for various type of infrastructure works in order to overcome this challenge.

B4. Profit Forecast or Profit Guarantee

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

B5. Profit/(Loss) Before Tax

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

	Current quarter ended 30.06.2020 RM'000	Current financial period ended 30.06.2020 RM'000
Depreciation of property, plant and equipment	3,498	3,528
Depreciation of investment property	39	97
Loss on disposal of subsidiaries	-	1,777
Gain on disposal of property, plant and equipment	1,284	(3,261)
Rental received	(1,023)	(1,028)
Reversal of impairment loss on property, plant and equipment	(691)	(691)
Finance income	(61)	(110)
Finance costs	775	1,412



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B6. Taxation

	Current quarter ended 30.06.2020 RM'000	Current financial period ended 30.06.2020 RM'000
Current tax expense	-	-

B7. Status of Corporate Proposal

Proposed Private Placement

On 24 August 2020, Bursa Malaysia Securities Berhad (“Bursa Securities”) has given its approval for an extension of time to the Group to submit the draft circular to shareholders in relation to the Proposed Private Placement to the Bursa Securities by 25 October 2020.

B8. Investment in Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 30 June 2020.

B9. Sale of Unquoted Investments and/or Properties

- (a) On 6 January 2020, the Group had entered into Sale and Purchase Agreement to sell its office buildings for a consideration amounting to RM4,700,000 and leased the office buildings back for 5.5 years. The Group is granted a free rental period of 18 months which take effect upon completion of disposal and the Group shall lease back the office buildings for a full period of 4 years after the rental-free period. This sale and lease back transaction enabled the Group to access more capital while continuing to use the office building.
- (b) On 17 March 2020, the Group had entered into Sale and Purchase Agreement to sell 2 units of service apartments for a consideration of RM1,822,500 and RM1,560,000 respectively. The Group plans to dispose the investment properties to improve working capital structure of the Group.

Both the above disposals are currently pending completion as at financial period ended 30 June 2020. These disposals are expected to complete within the next 12 months.

As the sales proceed for the above mentioned office buildings and service apartments are below the announcement threshold amount determined by the Group, therefore, no announcement has been made on the disposal transactions respectively.

There were no sale of unquoted investment during the current quarter and financial period ended 30 June 2020.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B10. Group Borrowings

The Group's borrowings as at 30 June 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
As at 30 June 2020			
Secured term loans	3,569	262	3,831
Secured bank overdrafts	8,788	-	8,788
Factoring facility	1,040	-	1,040
	<u>13,397</u>	<u>262</u>	<u>13,659</u>
	Short Term RM'000	Long Term RM'000	Total RM'000
As at 31 December 2019			
Secured term loans	1,878	1,947	3,825
Secured bank overdrafts	23,138	-	23,138
Banker Acceptance and trust receipts	1,849	-	1,849
Factoring facility	3,340	-	3,340
	<u>30,205</u>	<u>1,947</u>	<u>32,152</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 24 August 2020, being a date not earlier than 7 days from the date of this announcement.

B12. Material Litigation

(a) **Signature Cabinet Sdn. Bhd. vs D.J. Design & Suppliers Sdn. Bhd. & Ikhmas Jaya Sdn. Bhd. ("IJSB") - Kuala Lumpur High Court Writ (No. WA-22C-86-11/2016)**

Further to the disclosures made in audited financial statement for the year ended 31 December 2019, there is no further update in the current quarter ended 30 June 2020.

(b) **Tunjang Jitu Sdn. Bhd. vs Kerajaan Negeri Kuala Terengganu & United Overseas Bank (M) Bhd. - Court of Appeal Malaysia Appeal Suit (No. T-01(IM)(C)-505-08/2018)**

The Court of Appeal had instructed the parties to file Written Submission, Bundle of Authorities, Executive Summary and Common Core Bundle on 15 June 2020 and reply to Written Submission on 30 June 2020. The Court of Appeal was fixed on 14 July 2020.

Subsequently, the litigation procedures for the aforesaid case has been fully closed as both parties have reached an agreement on out of court settlement in respect of the aforesaid case.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B.12 Material Litigation - continued

- (c) 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)**

As at the date of this announcement, the case has been discontinued as IJSB and IJGB are negotiating with the Plaintiff for out of court settlement arrangement.

- (d) Ikhmas Jaya Sdn. Bhd. (“IJSB”) vs ASM Development (KL) Sdn. Bhd. Kuala Lumpur - High Court Suit (No. WA-22C-111-12/2019)**

On 18 February 2020, IJSB’s solicitors had filed a fresh legal suit against the Defendant for an additional claim of RM2,942,704 in a separate case as instructed by the Court.

The pre-trial case management was scheduled to be held on 14 September 2020.

- (e) Syarikat Logam Unitrade Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”) Kuala Lumpur - High Court Suit (No. BA-22NCVC-378-09/2019)**

As at the date of this announcement, IJSB and IJGB are negotiating with the Plaintiff for out of court settlement arrangement.

- (f) Lafarge Concrete (Malaysia) Sdn Bhd vs Ikhmas Jaya Sdn Bhd (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”) Kuala Lumpur - Magistrets High Court Civil Suit (No. WA-22NCC-529-09/2019)**

Plaintiff has filed an application for Summary Judgment and Order and has been recorded with cost of RM4,000 on 13 January 2020. The matter is still under ongoing negotiation between IJSB and the Plaintiff for an amicable out of court settlement.

- (g) Lembaga Kumpulan Wang Simpanan Pekerja vs Ikhmas Jaya Sdn. Bhd. (“IJSB”), Khoo Pin Sen, Siew Mun Lout, Ang Cheng Siong and Ang Wei Zhen) Kuala Lumpur - High Court Suit (No. WA-22NCVC-189-03/2020)**

The case management was scheduled to be held on 22 September 2020. The parties are currently still in the midst of reaching a settlement to the suit.

- (h) Ilham Metro Construction Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”), Ikhmas Jaya Group Berhad (“IJGB”), Ang Cheng Siong and Khoo Ping Sen Shah Alam - High Court Civil suit (No. BA-22NCC-56-05/2020)**

Notice of for summary judgement dated 14 July 2020 was filed by the plaintiff on 14 July 2020. Subsequently, the hearing date for summary judgement has been fixed on 3 September 2020.

As at the date of this announcement, IJSB and IJGB are still negotiating with the Plaintiff for out of court settlement arrangement.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B.12 Material Litigation - continued

- (i) Star Effort Sdn. Bhd. vs Ikhmas Jaya Group Berhad (“IJGB”) Shah Alam - High Court Writ of summons (No: BA-22NCVC-133-05/2020)**

The Plaintiff has filed a Summary Judgement application against the Defendant on 27 July 2020.

The case management was scheduled to be held on 26 August 2020.

Subsequently, the next case management has been fixed on 15 September 2020.

- (j) Ipmuda Berhad vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) and Ikhmas Jaya Group Berhad (“IJGB”) Shah Alam - High Court Winding Up Petition (No. BA-28NCC-603-09/2019)**

As at the date of this announcement, IJSB and IJGB are negotiating with the Plaintiff for out of court settlement arrangement.

- (k) Sunway Geotechnics (M) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”) Shah Alam - High Court originating summons (No: BA-24C-18-02/2019)**

Subsequently, the litigation procedures for the aforesaid case has been fully closed as both parties have reached an agreement on out of court settlement in respect of the aforesaid case.

- (l) Ikhmas Jaya Sdn. Bhd. (“IJSB”) vs MRCB Builders Sdn. Bhd. (“MRCB”) and Ambank (M) Berhad. - High Court Suit (No. WA-22C-36-05/2020)**

The Court had initially fixed the hearing date for the inter-parte injunction application on 21 August 2020. Subsequently, the application date has been extended until 21 October 2020.

- (m) Choo Seng Hardware Co (Ipoh) Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”), Ang Cheng Siong, Khoo Ping Sen and Siew Mun Lout- Shah Alam High Court (No: BA-22NCvC-196-06/2020)**

IJSB had been served with a Writ of Summons (“Writ”) and Statement of Claim (“SoC”) both dated 23 June 2020 by the solicitors of the Plaintiff on 2 July 2020.

The Plaintiff had at the request of IJSB supplied to IJSB tools and equipment totalling RM2,688,608.60. It was agreed between the Plaintiff and IJSB that a monthly interest of 1% would be charged on the amount accrued for more than 30 days from the date of the invoices.

The Plaintiff had through its solicitor issued a letter of demand to IJSB for the amount owing of RM2,688,608.60. However, IJSB has failed, neglected and/or refused to pay all sums due and owing to the Plaintiff.

The plaintiff has filed the application for summary judgment dated 23 July 2020.

The case management was scheduled to be held on 26 August 2020.

Subsequently, the Court has fixed the date for Hearing of application for Summary Judgment on 24 September 2020.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B.12 Material Litigation - continued

(n) Yee Loong Engineering Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)- Shah Alam High Court Winding Up Petition (No: BA-28NCC-282-06/2020)

IJSB had on 2 July 2020 been served a Winding-up Petition dated 18 June 2020 by the Petitioner’s Solicitors.

The amount due to the Petitioner amounted to RM268,011.15 for engineering work done as subcontracted by IJSB to the Petitioner, together with further interests on the outstanding sum of RM268,011.15 at the rate of 18% p.a on daily basis commencing from 11 January 2020 till the date of full realisation.

IJSB did not settle the Judgement Sum of RM268,011.15 obtained by the Petitioner against IJSB on 29 November 2019 via Suit no. WA-A52C-38-08/2019 filed in the Session Court at Kuala Lumpur leading to the Petitioner serving the Winding-up Petition on IJSB.

The case management was scheduled to be held on 15 September 2020.

The hearing of the case was scheduled to be held on 9 December 2020.

(o) Gruvcrete Asia Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)- Shah Alam High Court (BA-22NCvC-231-07/2020)

IJSB had been served with a Writ of Summons (“Writ”) and Statement of Claim (“SoC”) both dated 9 July 2020 by the solicitors of the Plaintiff on 14 July 2020.

IJSB had appointed the Plaintiff to provide the service of "supply and lay car park P.U flooring and repairing works at car park floor" via the letter of award dated 18 September 2018 ("Project"). Subsequently, at the request of IJSB, the Plaintiff had also carried out a series of variation works via several variation letters dated in May 2019.

The Plaintiff had completed the Project and the Variation Works and had invoiced for the works done accordingly. After taking into account the part payment made by IJSB to the Plaintiff, the SoC states that the outstanding amount of RM1,819,489.79 is still owed and required to be settled by IJSB to the Plaintiff.

The case management was scheduled to be held on 4 September 2020.

(p) Lain-U Trading Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)- Shah Alam High Court Winding Up Petition (No: BA-28NCC-326-07/2020)

IJSB had on 20 July 2020 been served a Winding-up Petition (“Petition”) dated 10 July 2020 by the Petitioner’s Solicitors.

The Petition states amongst others as follows:-

- (i) The amount due to the Petitioner is RM1,184,079.75 for the supply of timber products to IJSB;
- (ii) A Statutory Notice under Section 466 of the Companies Act, 2016 dated 16 March 2020 was served by hand on IJSB; and
- (iii) IJSB did not settle the aforesaid amount leading to the Petitioner serving the Winding-up Petition on IJSB.

The case management was scheduled to be held on 22 September 2020.

The hearing for the case was scheduled to be held on 11 January 2021.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B.12 Material Litigation - continued

(q) Maha Menteri Sdn. Bhd. vs Ikhmas Jaya Sdn. Bhd. (“IJSB”)- Shah Alam High Court Winding Up Petition (No: 28NCC-335-07/2020)

IJSB had on 17 July 2020 been served a Winding-up Petition dated 14 July 2020 by the Petitioner’s Solicitors.

The Petition states amongst others as follows:-

- (i) Notice pursuant to Section 456(1)(e) and 466(1)(a) of the Companies Act 2016 dated 10 January 2020 was served on IJSB at its Registered Office; and
- (ii) IJSB has failed to settle the sum owed to the Petitioner as at to date of RM134,452.92 (including interest and adjudication cost) for the sub-contract works provided by the Petitioner to IJSB.

The case management was scheduled to be held on 22 September 2020.

The hearing of the case was scheduled to be held on 22 October 2020.

(r) Lafarge Concrete (Malaysia) Sdn Bhd. vs Ikhmas Jaya Group Berhad (“IJGB”)- Shah Alam High Court Winding Up Petition (No: BA-28NCC-376-08/2020)

IJGB had on 21 August 2020 been served a Winding-up Petition (“Petition”) dated 18 August 2020 by the Petitioner’s Solicitors.

IJGB had executed a Letter of Guarantee in favour of the Petitioner to guarantee all the amount owing by Ikhmas Jaya Sdn. Bhd. (IJSB), a wholly owned subsidiary of IJGB for the purchase of goods including interest and losses incurred by the Petitioner.

Pursuant to a Judgment dated 13 January 2020 issued by the Kuala Lumpur High Court, the Petitioner issued a Notice of Demand dated 12 February 2020 for the outstanding claim owing to the Petitioner.

The matter is under ongoing negotiation between IJGB and the Petitioner for an amicable out of court settlement.

B13. Steps taken in respect of the winding up petition

In relation to the above winding up petitions between the Group and the Petitioners are currently negotiating with respective petitioners for amicable out of court settlement.

The Group will appoint solicitors to file in an injunction to respective suits, if necessary.

In addition, the Group is also currently finalising multiple corporate exercises to address the financial position of the Group.

B14. Dividend

No dividend was declared for the current quarter and financial period ended 30 June 2020.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B15. Earnings per Share

The earnings per share for the current quarter and current financial period ended 30 June 2020 is computed as follows:-

	Current quarter ended	Current financial period ended
	30.06.2020	31.06.2020
Profit/(Loss) for the quarter/period, attributable to owners of the parent (RM'000)	595	(80)
Weighted average number of ordinary shares in issue ('000)	588,350	588,350
Basic Earnings/(Loss) Per Share (sen)	0.10	(0.01)

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial period ended 30 June 2020.

B16. Material uncertainty related to going concern disclosed in the external auditors' report

On 16 April 2020, Bursa Malaysia has announced that PN17 Relief Measures will be available to Affected Listed Issuer that triggers any of the following criteria under PN17 of the Main Market Listing Requirements ("Suspended Criteria") from 17 April 2020 to 30 June 2021 ("Relief Period"):

- its shareholders' equity on a consolidated basis is 25% or less of its share capital (excluding treasury shares) and such shareholders' equity is less than RM40 million;
- auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in its latest audited financial statements and its shareholders' equity on a consolidated basis is 50% or less of its share capital (excluding treasury shares); and
- default in payment by the listed issuer, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the Main Listing Requirements and the listed issuer is unable to provide a solvency declaration to the Exchange.

On 30 June 2020, the Group announced that it had triggered the Suspended Criteria during the Relief period. The PN17 criteria was triggered as a result of:

- the shareholders' equity of the Group on a consolidated basis was less than 25% of its issued and paid-up capital (excluding treasury shares) and was less than RM40,000,000; and
- the auditors have on its report dated 30 June 2020 highlighted a material uncertainty related to going concern on the Group's and the Company's ability to continue as going concern in the financial statements and the shareholders' equity of the Group on a consolidated basis is 50% or less of the issued and paid-up capital (excluding treasury shares).



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NOTES TO THE INTERIM FINANCIAL STATEMENTS – SECOND QUARTER ENDED 30 JUNE 2020

B16. Material uncertainty related to going concern disclosed in the external auditors' report - continued

Under the PN17 Relief Measures:

- a. The Group will not be classified as a PN17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04 and PN17 of the Main Market Listing Requirements for a period of 12 months from the date of triggering the criteria;
- b. Upon the expiry of the 12 months from the Relief Announcement, the Group will re-assess its condition and announce whether it continues to trigger any of the criteria in PN17 of the Main Market Listing Requirements ("said Announcement"); and
- c. If the Group continues to trigger any of the criteria in PN17 of the Main Market Listing Requirements, it will then be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04 and PN17 of the Main Market Listing Requirements, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

The Group has prepared its interim financial statements on a going concern basis, notwithstanding that the Group's current liabilities exceeded its current assets by RM12.14 million. There are material uncertainties that may cast significant doubt on the ability of the Group to meet their obligations as and when they fall due and to continue as going concerns.

The Group has prepared profit and cash flow forecasts and will continue to monitor and assess the cash positions of the Group on a regular basis.

In order to address the Group's material uncertainty relating to going concern highlighted in the auditor's report for financial year ended 2019, the management has taken actions as follow:

- a. Disposal of investment properties, property, plant and equipment to improve working capital structure of the Group.
- b. Proposed a private placement of 232,143,000 new ordinary shares in Ikhmas ("Ikhmas Shares" or "Shares") ("Placement Shares"), representing approximately 39.46% of the Company's existing number of issued Shares (excluding any treasury shares) ("Proposed Private Placement").

On 24 August 2020, Bursa Malaysia Securities Berhad ("Bursa Securities") has given its approval for an extension of time to the Group to submit the draft circular to shareholders in relation to the Proposed Private Placement to the Bursa Securities by 25 October 2020.

- c. Multiple other corporate exercises which are under finalisation stages to improve the financial position of the Group.

B17. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors on 28 August 2020.