

## **FAJARBARU BUILDER GROUP BHD (281645-U)**

### **Notes to the Interim Financial Report**

#### **A1 Basis of preparation**

The condensed consolidated financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting Standards in Malaysia and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2012. These explanatory notes, attached to the condensed consolidated interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2012.

Since the issue of the previous annual audited financial statements as at 30 June 2012, the Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the MASB with effect from 1 July 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRS’s issued under the previous FRS framework were equivalent to the MFRS’s issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRS’s.

These consolidated condensed interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 30 June 2013 and hence MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS1) has been applied. The transition from FRS to MFRS has no material impact on the statement of financial position and statement of cash flows.

#### **A2 Annual report**

The auditors’ report on the financial statements for the year ended 30 June 2012 was not qualified.

#### **A3 Seasonal or cyclical factors**

The operations of the Group are not subject to seasonality / cyclicity of operations.

#### **A4 Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review because of their nature, size, or incidence.

#### **A5 Changes in estimates**

Not applicable.

**A6 Debt and equity securities**

There were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the quarter under review.

The details of shares held as treasury shares for the period ended 31 March 2013 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2012	1,038,064	1,123,468
Repurchased during the quarter	-	-
Distribution of Share Dividend	-	-
Balance as at 31 March 2013	1,038,064	1,123,468

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

**A7 Dividend Paid**

There were no dividend declared during the current quarter.

**A8 Carrying amount of revalued assets**

The valuation of property, plant and equipment has been brought forward without amendment from the financial statement for the year ended 30 June 2012.

**A9 Segmental reporting**

The segmental information of the Group analysed by activities is as follows:-

Period ended 31.03.13	Construction RM'000	Trading RM'000	Property development RM'000	Investment holding RM'000	Adjustment and Eliminations RM'000	Total RM'000
<b><u>Revenue</u></b>						
External Sales	126,164	12,608	-	-	-	138,773
Inter-segment sales	-	742	-	977	(1,719)	-
Total revenue	126,164	13,350	-	977	(1,719)	138,773
<b><u>Results</u></b>						
Profit/(Loss) from operation	3,580	26	243	(355)	-	3,494
Finance costs	(43)	-	-	-	-	(43)
Profit/(Loss) before tax	3,538	26	243	(355)	-	3,451
<b><u>Total assets</u></b>						
Segment assets/ Consolidated total assets	147,244	10,491	102,994	136,681	(129,238)	268,172

No segmental information is provided on a geographical basis as the Group's activities are conducted wholly in Malaysia.

**A10 Events subsequent to the balance sheet date**

There were no material events subsequent to the end of the period under review that have not been reflected in the quarterly financial statements.

**A11 Changes in composition of the Group**

There are no changes in the composition of the Group.

**A12 Capital commitments**

The Group has the following commitments as at 31 March 2013:

<b>Property, plant and equipment</b>	<b>RM'000</b>
Authorised by the Directors and contracted	1,400

**A13 Changes in contingent liabilities**

	Company	
	As at 31.03.13	As at 30.06.12
	RM'000	RM'000
Unsecured corporate guarantees given to third parties for:-		
- supply of goods to subsidiaries	-	-
- banking facilities granted to subsidiaries	138,597	122,875

The directors are of the opinion that the likelihood of crystallization of the above guarantees is remote.

## Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

### B1 Review of performance

	Current Quarter ended 31/03/2013 (RM'000)	Preceding Year Quarter ended 31/03/2012 (RM'000)
Revenue	68,591	25,361
Consolidated Profit / (Loss) before tax	1,575	(4,844)
Consolidated Profit / (Loss) after tax	1,554	(3,920)

The Group recorded a higher revenue of RM68.6 million and a pre-tax profit of RM1.6 million in the current quarter ended 31 March 2013 as compared to a revenue of RM25.4 million and a pre-tax loss of RM4.8 million reported in the preceding year corresponding quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31<sup>st</sup> March 2013 is as follows :

#### Construction Segment

The Group recorded a higher revenue of RM58.8million in the current quarter as compared to the preceding year corresponding quarter of RM25.4 million was due to the increase in the construction activities of the on-going projects.

#### Trading Segment

During the current financial year, the Group has commenced its Trading activities and recorded a revenue of RM9.8 million in the current quarter. Currently, this segment is to trade building materials consumed by the Group's appointed sub-contractors for the construction division.

#### Property Development Segment

During the current quarter, the Group is actively working on three projects comprising of residential and mixed commercial developments. These projects will contribute positively to the revenue and earnings of the Group. This segment recorded an other income of RM227,700 during the current quarter.

#### Investment Holding Segment

For the quarter under review, the investment holding segment continued to be inactive to the Group in term of revenue contributions.

In the opinion of the Directors, the results for the financial period under review have not been affected by any transaction or event of a material or unusual nature except item if any mentioned under B2 below.

**B2 Variation of result against preceding quarter**

	Current Quarter ended 31/03/2013 (RM'000)	Preceding Quarter ended 31/12/2012 (RM'000)
Revenue	68,591	37,742
Consolidated Profit / (Loss) before tax	1,575	961
Consolidated Profit / (Loss) after tax	1,554	726

For the current quarter ended 31 March 2013 under review, the Group registered a revenue of RM68.6 million and a pre-tax profit of RM1.6 million as compared to revenue and pre-tax profit of RM37.7 million and RM0.9 million respectively in the preceding quarter ended 31 December 2012.

The increased in revenue and pre-tax profit of the Group of 81.7% and 63.9% respectively was contributed substantially from the construction activities of the on-going projects. The Group pre-tax profit for the current quarter was arrived after the capitalization of interest expenses amounting to RM1,036,536, which were being charged out in the preceding quarters and also the charging of Employee Services Expense amounting to RM586,942.

**B3 Current year prospects**

The Group will continue to focus on its main core business activities and expected to deliver another challenging year of revenue growth, driven by several on-going projects being awarded to the Group that will be continuously implemented over the next couple of years. The Group will focus on the replenishment of its current order book and will continue to actively tender for local construction projects.

The Group has broadened its business activities from construction into property development activities. The development activities are expected to be launched during the current financial year once approvals are obtained from the relevant authorities and this would contribute positively to the Group's profits.

The Group will continue to explore for more business and investment opportunities.

**B4 Profit forecast**

Not applicable.

**B5 Profit guarantee**

Claim by the Company against Cashrep Holdings Sdn. Bhd. ("Cashrep") and Cita Jati Sdn. Bhd. ("Cita Jati") based on Profit Guarantee Agreement.

On 23 November 2006 and 11 April 2007, the Company has obtained Winding-Up Orders from the Court against Cita Jati and Cashrep respectively. The Official Receiver from the Jabatan Insolvensi, Wilayah Persekutuan was appointed as liquidator for both companies.

**B6 Income tax**

Income tax includes:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	31/03/2013 RM'000	31/03/2012 RM'000	31/03/2013 RM'000	31/03/2012 RM'000
Current period's provision	-	(924)	-	88
Under / (Over) provision for the prior years	(369)	-	(369)	-
	(369)	(924)	(369)	88
Deferred taxation	390	-	912	-
	21	(924)	543	88

No taxation charged on the Group's profit mainly due to utilization of unabsorbed losses available.

**B7 Purchase or disposal of Quoted Securities**

There were no purchases of quoted securities in Malaysia during the financial quarter under review.

Investment in quoted shares as at 31 March 2013 were as follows :

**RM'000**

At cost 7,907

At market value 9,067

**B8 Status of corporate proposals announced**

There were no corporate proposals announced during the financial period to date.

**B9 Borrowings**

The tenure of the Group borrowings classified as follows:-

	As at 31.03.2013 RM'000	As at 31.03.2012 RM'000
<b><u>Secured</u></b>		
Short Term	3,147	-
Long Term	43,684	47,880
	-----	-----
	46,831	47,880
	=====	=====

The Group borrowings are all denominated in Ringgit Malaysia.

**B10 Off balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2013.

**B11 Material litigation**

Neither the Company nor any of its subsidiary companies is engaged in any material litigation, claims or arbitration either as plaintiff or defendant as at the date of this announcement and the Directors do not have any knowledge of any proceedings pending or threatened against the Company or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group.

**B12 Dividend**

No dividend has been declared for the second quarter ended 31 March 2013.

**B13 Earnings per share**

The **basic earnings per share** is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issued at the end of the period.

The **diluted earnings per share** is calculated by dividing the net profit attributable to equity holders of the Company for the current individual quarter and the current cumulative quarter by the adjusted weighted average number of ordinary shares in issue during the current individual quarter and the current cumulative quarter plus the weighted average number of ordinary shares which deemed to be issued on conversion of 23,869,095 remaining warrants and exercise of 10,210,000 ESOS into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 31.03.2013 RM'000	3 months Ended 31.03.2012 RM' 000	9 months Ended 31.03.2013 RM000	9 months Ended 31.03.2012 RM'000
Net profit/(loss) attributable to equity holders of the Company	1,554	(3,920)	2,908	(1,146)
Weighted Average Number of shares at the end of the period ('000)	187,972	180,027	187,961	171,069
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	34,079	28,896	34,079	28,896
Adjusted number of ordinary shares in issue and issuable ('000)	222,051	208,923	222,040	199,965
Nominal value of share (RM)	0.50	0.50	0.50	0.50
<b>Basic earnings per share (sen)</b>	0.83	(2.18)	1.55	(0.67)
<b>Diluted earnings per share (sen)</b>	0.70	(1.88)	1.31	(0.57)

**B14 Realised and Unrealised Profits**

The breakdown of accumulated profits of the Group as at the reporting date, into realised and unrealised profit, pursuant to the directive, is as follows:

	As at End of Current Quarter 31/03/2013 RM'000	As at End of Preceding Financial Year 30/06/2012 RM'000
Total accumulated profit of the Company and it's subsidiaries		
- Realised	64,905	61,744
- Unrealised	(1,543)	(630)
	63,362	61,114
Less: Consolidation adjustments	22,919	23,677
Total group retained profit as per consolidated accounts	40,443	37,437

**B15 Profit before taxation**

	Current Year Quarter 31/03/2013 RM'000 Unaudited	Current Year To-date 31/03/2013 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(290)	(1,299)
Other income - Rental	(228)	(714)
Gain on disposal of property, plant & equipment	-	(45)
Depreciation	429	1,198
Interest expense	(1,020)	16
Provision for and write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
(Gain) or loss on disposal of quoted or unquoted Investments or properties	-	(233)
Impairment of assets	N/A	N/A
Foreign exchange gain or loss	N/A	N/A
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

N/A – Not Applicable



**B16 Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 20 May 2013.

By Order of the Board

**Fajarbaru Builder Group Bhd (281645-U)**

Ooi Leng Chooi  
Finance Director

Kuala Lumpur  
20 May 2013