

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 2013. 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 2013.

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 30 June 2013 except for the adoption of the following new and revised standards, amendments and interpretations that are effective for financial period from 1 July 2013 :

MFRS 3	Business Combinations (IFRS 3 Business Combination issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurements

Amendments to the following MFRSs:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
MFRS 7	Disclosure-Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements: Transition Guidance
MFRS 11	Joint Arrangements: Transition Guidance
MFRS 12	Disclosure of Interest in Other Entities: Transition Guidance
MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The adoption of the above did not have any material impact on this report upon their initial application.

A2 Annual report

The auditors' report on the financial statements for the year ended 30 June 2013 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 30 September 2013 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2013	1,043,064	1,126,576
Repurchased during the quarter	-	-
Distribution of Share Dividend	-	-
Balance as at 30 September 2013	1,043,064	1,126,576

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 2013.

A9 Segmental reporting

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

Period ended 30.06.13	Construction RM'000	Trading RM'000	Property development RM'000	Investment holding RM'000	Adjustment and Eliminations RM'000	Total RM'000
Revenue						
External Sales	62,676	14,913	-	-	-	77,589
Inter-segment sales		(9)	-	158	(149)	-
Total revenue	<u>62,676</u>	<u>14,904</u>	<u>-</u>	<u>158</u>	<u>(149)</u>	<u>77,589</u>
Results						
Profit/(Loss) from operation	1,147	287	(348)	(27)	-	1,059
Finance costs	(141)	-	-	-	-	(141)
Profit/(Loss) before tax	<u>1,006</u>	<u>287</u>	<u>(348)</u>	<u>(27)</u>	<u>-</u>	<u>918</u>
Total assets						
Segment assets/ Consolidated total assets	<u>189,733</u>	<u>14,972</u>	<u>105,409</u>	<u>143,490</u>	<u>(150,696)</u>	<u>302,908</u>

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 30 September 2013:

Property, plant and equipment	RM'000
Authorised by the Directors and contracted	631

A13 Changes in contingent liabilities

	Company	
	As at 30.09.13	As at 30.06.13
	RM'000	RM'000
Unsecured corporate guarantees given to third parties for:-		
- supply of goods to subsidiaries	-	-
- banking facilities granted to subsidiaries	137,854	138,563

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 30/09/2013 (RM'000)	Preceding Year Quarter ended 30/09/2012 (RM'000)
Revenue	77,589	32,439
Consolidated Profit before tax	918	916
Consolidated Profit after tax	737	628

The Group recorded a higher revenue of RM77.6 million and a pre-tax profit of RM0.9 million in the current quarter ended 30 September 2013 as compared to a revenue of RM32.4 million and a pre-tax profit of RM0.9 million reported in the preceding year corresponding quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 September 2013 is as follows :

Construction Segment

The Group recorded a higher revenue of RM62.7 million in the current quarter as compared to the preceding year corresponding quarter of RM32.8 million was due to increase in construction activities of the on-going projects which were deferred and delayed in full site possession in the previous financial year.

Trading Segment

The Group had commenced its Trading activities since last quarter and recorded a revenue of RM14.9 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

The Group is actively working on the property development projects comprising of residential and mixed commercial developments. These projects will contribute positively to the revenue and earnings of the Group.

The Property Division had obtained the planning permission to develop the service apartment on a parcel of land in Pulau Melaka, Malacca.

This segment recorded an other income of RM92,700 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 30/09/2013 (RM'000)	Preceding Quarter ended 30/06/2013 (RM'000)
Revenue	77,589	74,428
Consolidated Profit before tax	918	2,241
Consolidated Profit after tax	737	1,268

For the current quarter ended 30 September 2013 under review, the Group registered a revenue of RM77.6 million and a pre-tax profit of RM0.9 million as compared to revenue and pre-tax profit of RM74.4 million and RM2.2 million respectively in the preceding quarter ended 30 June 2013.

The increased in revenue of the Group of 4.2% was contributed substantially from the increase in construction activities of the on-going projects and decreased in pre-tax profit of 59% was due to the reversal of over provision of operating expenses amounting to RM1.5 million in the previous quarter.

B3 **Current year prospects**

The Group will continue to focus on its construction segment which is the main core business of the Group 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.

As for the property segment, the Group has obtained the planning permission in May 2013 to develop the serviced apartment on a parcel of land in Pulau Melaka, Malacca. The development activities are expected to be launched during this financial year once all approvals are obtained from the relevant authorities.

The Group has also made the necessary submission to the relevant authorities to develop the parcels of land in Sentul and Puchong. With our priced land banks for development, the property segment is expected to make a significant contribution to the Group revenue over the next three years and beyond.

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 30/09/2013 RM'000	3 months ended 30/09/2012 RM'000	3 months ended 30/09/2013 RM'000	3 months ended 30/09/2012 RM'000
Current period's provision	181	-	181	-
Under / (Over) provision for the prior years	-	-	-	-
	181	-	181	-
Deferred taxation	-	288	-	288
	181	288	181	288

The effective tax rate for the financial year was lower than the statutory income tax rate in Malaysia due to the utilization of unabsorbed losses available of certain subsidiaries.

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 30 September 2013 were as follows :

RM'000

At cost	7,907
At market value	12,221

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 30.09.2013 RM'000	As at 30.09.2012 RM'000
<u>Secured</u>		
Short Term	8,513	2,098
Long Term	42,111	45,782
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	50,624	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 30 September 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 first quarter ended 30 September 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 22,054,922 remaining warrants and exercise of 6,660,000 ESOS into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 30.09.13 RM'000	3 months Ended 30.09.12 RM' 000	3 months Ended 30.09.13 RM000	3 months Ended 30.09.12 RM'000
Net profit attributable to equity holders of the Company	737	628	737	628
Weighted Average Number of shares at the end of the period ('000)	191,714	187,954	191,714	187,954
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	28,715	28,340	28,715	28,340
Adjusted number of ordinary shares in issue and issuable ('000)	220,429	216,294	220,429	216,294
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	0.38	0.33	0.38	0.33
Diluted earnings per share (sen)	0.33	0.29	0.33	0.29

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 30/09/2013 RM'000	As at End of Preceding Financial Year 30/06/2013 RM'000
Total accumulated profit of the Company and it's subsidiaries		
- Realised	67,938	67,199
- Unrealised	(2,061)	(2,061)
	65,877	65,138
Less: Consolidation adjustments	(23,410)	(23,410)
Total group retained profit as per consolidated accounts	42,467	41,728

B15 Profit before taxation

	Current Year Quarter 30/09/2013 RM'000 Unaudited	Current Year To-date 30/09/2013 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(181)	(181)
Other income - Rental	(97)	(97)
Gain on disposal of property, plant & equipment	(55)	(55)
Depreciation	384	384
Interest expense	114	114
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	N/A	N/A
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 27 November 2013.

By Order of the Board

Fajarbaru Builder Group Bhd (281645-U)

Ooi Leng Chooi
Finance Director

Kuala Lumpur
27 November 2013