

## **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 31 December 2013 are as follows:

	<b>Number of Treasury shares</b>	<b>Total Considerations RM</b>
Balance as at 30 September 2013	1,043,064	1,126,576
Repurchased during the quarter	5,000	3,208
Balance as at 31 December 2013	1,048,064	1,129,784

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 31.12.13	<b>Construction RM'000</b>	<b>Trading RM'000</b>	<b>Property development RM'000</b>	<b>Investment holding RM'000</b>	<b>Adjustment and Eliminations RM'000</b>	<b>Total RM'000</b>
<b><u>Revenue</u></b>						
External Sales	130,673	28,509	-	-	-	159,182
Inter-segment sales		92	-	289	(381)	-
Total revenue	<u>130,673</u>	<u>28,601</u>	<u>-</u>	<u>289</u>	<u>(381)</u>	<u>159,182</u>
<b><u>Results</u></b>						
Profit/(Loss) from operation	3,071	512	(543)	(119)	-	2,921
Finance costs	(246)	-	-	-	-	(246)
Profit/(Loss) before tax	<u>2,825</u>	<u>512</u>	<u>(543)</u>	<u>(119)</u>	<u>-</u>	<u>2,675</u>
<b><u>Total assets</u></b>						
Segment assets/ Consolidated total assets	<u>238,594</u>	<u>10,925</u>	<u>106,809</u>	<u>154,921</u>	<u>(182,818)</u>	<u>328,431</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, except as disclosed below :-

On 18/02/2014, the company has entered into a Share Sale Agreement to acquire 408,000 ordinary shares of RM1.00 each in Billion Variety Sdn Bhd (BVSB), representing 51% of the total issued and paid up capital in BVSB.

The acquisition is expected to be completed by 07/03/2014.

## **A11 Changes in composition of the Group**

There are no changes in the composition of the Group.

## **A12 Capital commitments**

There were no capital commitments as at the end of the current quarter.

### **A13 Changes in contingent liabilities**

	Company	
	As at 31.12.13	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	143,756	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 31/12/2013 (RM'000)	Preceding Year Quarter ended 31/12/2012 (RM'000)
Revenue	81,593	37,742
Consolidated Profit before tax	1,757	961
Consolidated Profit after tax	801	726

The Group recorded a higher revenue of RM81.59 million and a pre-tax profit of RM1.76 million in the current quarter ended 31 December 2013 as compared to a revenue of RM37.74 million and a pre-tax profit of RM0.96 million reported in the preceding year corresponding quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 December 2013 is as follows :

**Construction Segment**

The Group recorded a higher revenue of RM67.99 million in the current quarter as compared to the preceding year corresponding quarter of RM37.74 million was due to increase in construction activities of the on-going projects.

**Trading Segment**

The Group recorded a revenue of RM13.60 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 building plan approval to develop 26 storey serviced apartment projects consists of 160 units on one of the commercial land parcels in Pulau Melaka, Malacca.

This segment does not record any revenue yet except for 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 31/12/2013 (RM'000)	Preceding Quarter ended 30/09/2013 (RM'000)
Revenue	81,593	77,589
Consolidated Profit before tax	1,757	918
Consolidated Profit after tax	801	737

For the current quarter ended 31 December 2013 under review, the Group registered a revenue of RM81.59 million and a pre-tax profit of RM1.76 million as compared to revenue and pre-tax profit of RM77.59 million and RM0.92 million respectively in the preceding quarter ended 30 September 2013.

The increased in revenue of the Group of 5.2% and increased in pre-tax profit of 91.4% was contributed substantially from the increase in construction activities of the on-going projects.

**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 building plan approval 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 31/12/2013 RM'000	3 months ended 31/12/2012 RM'000	6 months ended 31/12/2013 RM'000	6 months ended 31/12/2012 RM'000
Current period's provision	67	-	248	-
Under / (Over) provision for the prior years	-	-	-	-
Deferred taxation	67	-	248	-
	889	235	889	522
	956	235	1,137	522

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 31 December 2013 were as follows :

**RM'000**

At cost	7,907
At market value	11,432

**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 31.12.2013 RM'000	As at 31.12.2012 RM'000
<b><u>Secured</u></b>		
Short Term	15,594	1,836
Long Term	41,324	45,782
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	56,919	47,618
	=====	=====

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 December 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 December 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 exercise of 755,000 remaining ESOS into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 31.12.13 RM'000	3 months Ended 31.12.12 RM' 000	6 months Ended 31.12.13 RM000	6 months Ended 31.12.12 RM'000
Net profit attributable to equity holders of the Company	801	726	1,538	1,355
Weighted Average Number of shares at the end of the period ('000)	211,504	187,956	201,609	187,955
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	755	23,891	755	23,891
Adjusted number of ordinary shares in issue and issuable ('000)	212,259	211,847	202,364	211,846
Nominal value of share (RM)	0.50	0.50	0.50	0.50
<b>Basic earnings per share (sen)</b>	0.38	0.39	0.76	0.72
<b>Diluted earnings per share (sen)</b>	0.38	0.34	0.76	0.64



**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 31/12/2013 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	69,687	67,199
- Unrealised	(2,950)	(2,061)
	66,737	65,138
Less: Consolidation adjustments	(23,410)	(23,410)
Total group retained profit as per consolidated accounts	43,327	41,728

**B15 Profit before taxation**

	Current Year Quarter 31/12/2013 RM'000 Unaudited	Current Year To-date 31/12/2012 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(438)	(497)
Other income - Rental	(197)	(243)
Gain on disposal of property, plant & equipment	(102)	-
Depreciation	837	385
Interest expense	187	570
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 26 February 2014.

By Order of the Board

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

Ooi Leng Chooi  
Finance Director

Kuala Lumpur  
26 February 2014