

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
MFRS 119 (2011)	Employee Benefits
MFRS 127 (2011)	Separate Financial Statements
MFRS 128 (2011)	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12:	Transition Guidance
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	
Annual Improvements to MFRSs 2009 – 2011 Cycle	

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

A1.1 Comparative Figures

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated 30.06.2013 RM	As Previously Reported 30.06.2013 RM
Consolidated Statement of Financial Position (Extract):-		
Non-current assets:-		
Land held for property development	-	43,278
Investment properties	44,081	803
Current assets:-		
Property development cost	-	82,726
Inventories	82,726	-

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 June 2014 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2014	1,048,064	1,129,784
Repurchased during the quarter	100	88
Balance as at 30 June 2014	1,048,164	1,129,872

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 30.06.14	Construction RM'000	Trading RM'000	Property development RM'000	Investment holding RM'000	Timber RM'000	Adjustment and Eliminations RM'000	Total RM'000
Revenue							
External Sales	244,034	69,547	-	-	-	-	313,581
Inter-segment sales		(111)	-	-	-	111	-
Total revenue	<u>244,034</u>	<u>69,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>313,581</u>
Results							
Profit/(Loss) from operation	7,174	933	(874)	(380)	(183)	3	6,674
Finance costs	(1,121)	-	(760)	-	-	-	(1,881)
Profit/(Loss) before tax	<u>6,053</u>	<u>933</u>	<u>(1,634)</u>	<u>(380)</u>	<u>(183)</u>	<u>3</u>	<u>4,793</u>
Total assets							
Segment assets/ Consolidated total assets	<u>265,733</u>	<u>26,909</u>	<u>116,037</u>	<u>153,322</u>	<u>42,154</u>	<u>(245,157)</u>	<u>358,999</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 4 July 2014, Billion Variety Sdn Bhd, a 51% owned subsidiary of the Company, had entered into an Agreement with Cekal Kasih Sdn Bhd ("CKSB") ("Agreement") to accept the offer, at a total cash consideration of RM6,006,600 (Ringgit Malaysia Six Million Six Thousand and Six Hundred only), to undertake the extraction and sale of timber extracted from KPT. 304, 305, 306, 307 & 308 Hutan Simpan Berkelah, Jerantut, Pahang, an approximate land area of 1,423 acres, awarded to CKSB by Yayasan Pahang via Letter of Offer dated 27 May 2014, for a period of 12 months from date of issuance of licence for timber extraction, by Jabatan Perhutanan Negeri Pahang Darul Makmur.

On 7 July 2014, Fajarbaru-Beulah (Melbourne) Pty Ltd ("FBM"), a 51%-owned indirect subsidiary of the Company, has been nominated by one of FBM's shareholders, Beulah Land International Pty Ltd ("BLI"), to purchase three (3) pieces of vacant land at Lot 6, 7 and 8 on Plan of Subdivision No. 042014 and being the land more particularly described as Certificate of Title Volume 08204 Folio 293, 08164 Folio 685 and 08179 Folio 168 respectively, at Doncaster, Victoria 3108, Australia from Doncaster Regency Pty Ltd ("DRPL"), pursuant to the Contract of Sale of Real Estate entered between BLI and DRPL ("Contract") for a total cash consideration of AUD\$6,900,000.00 (exclusive of 10% Australian Good and Services Tax) ("Acquisition"). The Acquisition is expected to be completed by third quarter of 2014.

A11 Changes in composition of the Group

There were no changes in the composition of the Group, except as disclosed below:-

The acquisition of 408,000 ordinary shares of RM1.00 each in Billion Variety Sdn. Bhd. ("BVS"), representing 51% of the total issued and paid up capital of BVS by the Company was completed on 3 March 2014.

The internal restructuring entails the transfer of 2,000,000 ordinary shares of RM1.00 each in Fajarbaru Land Sdn. Bhd. ("FLS"), representing 100% of the total issued and paid up capital of FLS, from the Company to Fajarbaru Properties Sdn. Bhd. (formerly known as Temasek Perkasa Sdn. Bhd.) ("FPS"), and the transfer of 5,000,000 ordinary shares of RM1.00 each in Wajatex Sdn. Bhd., representing 100% of the total issued and paid up capital of WSB, from Fajarbaru Builder Sdn. Bhd. to FPS were completed on 4 April 2014.

The acquisition of 1,000,000 ordinary shares of RM1.00 each in Smooth Accomplishment Sdn. Bhd. ("SAS") representing the entire issued and paid up capital of SAS by the Company's subsidiary company, Billion Variety Sdn. Bhd., was completed on 15 April 2014.

On 7 May 2014, the Company's wholly owned subsidiary company, FPS, had registered a subsidiary company in Australia namely Fajarbaru-Beulah (Melbourne) Pty Ltd (Australian Company No. 169430246) ("FBM"). FPS holds 51,000 ordinary shares of AUD\$1.00 each in FBM, representing 51% of the total issued and paid up capital of FBM.

A12 Capital commitments

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

A13 Changes in contingent liabilities

	Company	
	As at 30.06.14	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	151,181	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 30/06/2014 (RM'000)	Preceding Year Quarter ended 30/06/2013 (RM'000)
Revenue	99,480	74,428
Consolidated Profit before tax	1,043	2,241
Consolidated Profit after tax	440	1,268

The Group recorded a higher revenue of RM99.5 million with a lower pre-tax profit of RM1.0 million in the current quarter ended 30 June 2014 as compared to a revenue of RM74.4 million and a pre-tax profit of RM2.2 million reported in the preceding year corresponding quarter was mainly due to the increased in Finance cost after providing the fair value loss on receivables amounting to RM1.5 million.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 June 2014 is as follows:

Construction Segment

The Group recorded a higher revenue of RM63.4 million in the current quarter as compared to the preceding year corresponding quarter of RM58.6 million was due to increase in construction activities of the on-going projects as well as acceleration activities on one of the projects which was slow down in work progress in the previous quarter because of landslip at site.

Trading Segment

The Group recorded a higher revenue of RM32.3 million in the current quarter as compared to the preceding year corresponding quarter of RM15.8 million was due to higher activities of construction segment. This segment is mainly to trade building materials consumed by the Group's appointed sub-contractors for its construction segment.

Property Development Segment

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

This segment does not record any revenue yet except for an other income of RM93,900 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.

Timber Segment

During the current quarter, this segment is 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 30/06/2014 (RM'000)	Preceding Quarter ended 31/03/2014 (RM'000)
Revenue	99,480	54,920
Consolidated Profit before tax	1,043	1,076
Consolidated Profit after tax	440	952

For the current quarter ended 30 June 2014 under review, the Group registered a revenue of RM99.5 million and a pre-tax profit of RM1.04 million as compared to revenue and pre-tax profit of RM54.9 million and RM1.1 million respectively in the preceding quarter ended 31 March 2014.

The increased in revenue of the Group of 81.14% was due to increase in construction activities of the on-going projects as well as acceleration activities on one of the projects which was slow down in work progress in the previous quarter because of landslide at site.

However, the decreased in pre-tax profit of 3.07% as compared to the preceding quarter was mainly due to the increased in Finance cost after providing the fair value loss on receivables amounting to RM1.5 million.

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 had obtained Developer's licence and Advertising and Sales Permit approvals to develop and market one block of serviced apartment comprising 160 units on a parcel of commercial land in Pulau Melaka, Malacca. The project is expected to be launched in first quarter of 2015.

The Group has also submitted applications for development order to the local authority to develop the Group's land in Sentul and Puchong into serviced apartment and condominium. With property prices continue to be on uptrend, the property segment is expected to make significant contribution to the Group revenue over the next three years and beyond.

For Timber segment, the Group is in the midst of submitting relevant application to the authorities and preparing the infrastructure for the logging activities, which is expected to be commenced in fourth quarter of 2014. This segment is expected to make significant contribution to the Group revenue over the next five 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	3 months ended	12 months ended	12 months ended
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Current period's provision	184	450	473	450
Under / (Over) provision for the prior years	-	5	1	(364)
	184	455	474	86
Deferred taxation	419	518	1,390	1,431
	603	973	1,864	1,517

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 June 2014 were as follows :

RM'000

At cost	7,907
At market value	9,855

B8 Status of corporate proposals announced

There were no corporate proposals announced during the financial period to date, except as disclosed below:-

On 26 February 2014, RHB Investment Bank Berhad (“RHBIB”) had, on behalf of the Board, announced that the Company proposes to undertake a renounceable rights issue of up to 120,566,620 Rights Shares on the basis of one (1) Rights Share for every two (2) existing Fajarbaru Shares held together with up to 120,566,620 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed for, on the entitlement date to be determined later (“Rights Issue with Warrants”).

Subsequently, on 11 April 2014, RHBIB had, on behalf of the Board, further announced the following:-

- i. the Company proposes to vary the proposed utilisation of proceeds, under the Maximum Scenario, from the Rights Issue with Warrants; and
- ii. the Company proposes to undertake the diversification of our Group's existing principal activities to include logging and timber trading business. (collectively, “Corporate Exercises”)

Bursa Securities Malaysia Bhd (“Bursa Securities”) had, vide its letter dated 23 May 2014, approved the following:-

- i. Admission to the official list of Bursa Securities and the listing of and quotation for the Warrants to be issued pursuant to the Rights Issue with Warrants;
- ii. Listing of the Rights Shares to be issued pursuant to the Rights Issue with Warrants; and
- iii. Listing of the new Fajarbaru Shares to be issued arising from the exercise of the Warrants

on the Main Market of Bursa Securities, subject to the certain conditions as disclosed in the announcement on 23 May 2014.

The shareholders had approved the Corporate Exercises at the Extraordinary General Meeting held on 24 June 2014.

On 12 August 2014, the Company had fixed the issue price of the Rights share at RM0.50 per rights share and the exercise price of the warrants at RM 0.70 per warrant.

The Ex-date and Entitlement date were fixed on 28 August and 2 September 2014 respectively.

The Rights Issue with Warrants is expected to be completed by fourth quarter of 2014.

B9 Borrowings

The tenure of the Group borrowings classified as follows:-

	As at 30.06.2014 RM'000	As at 30.06.2013 RM'000
<u>Secured</u>		
Short Term	39,751	5,762
Long Term	23,377	42,898
	-----	-----
	63,128	48,660
	=====	=====

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 June 2014.

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 fourth quarter ended 30 June 2014.

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 warrants and ESOS into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 30.06.2014 RM'000	3 months Ended 30.06.2013 RM' 000	12 months Ended 30.06.2014 RM000	12 months Ended 30.06.2013 RM'000
Net profit attributable to equity holders of the Company	534	1,268	3,026	4,176
Weighted Average Number of shares at the end of the period ('000)	216,874	189,148	207,402	188,252
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	-	31,173	-	31,173
Adjusted number of ordinary shares in issue and issuable ('000)	216,874	220,322	207,402	219,426
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	0.25	0.67	1.46	2.22
Diluted earnings per share (sen)	N/A	0.58	N/A	1.90

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 30/06/2014 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	71,679	67,199
- Unrealised	(3,451)	(2,061)
	68,228	65,138
Less: Consolidation adjustments	(23,413)	(23,410)
Total group retained profit as per consolidated accounts	44,815	41,728

B15 Profit before taxation

	Current Year Quarter 30/06/2014 RM'000 Unaudited	Current Year To-date 30/06/2014 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(379)	(1,195)
Other income - Rental	(100)	(395)
Gain on disposal of property, plant & equipment	-	(102)
Depreciation	463	1,745
Interest expense	42	275
Fair value loss on receivables	1,489	1,489
Fair value gain on payables	(270)	(270)
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

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 28 August 2014.

By Order of the Board
Fajarbaru Builder Group Bhd (281645-U)

Ooi Leng Chooi
Finance Director

Kuala Lumpur
28 August 2014