

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 2014. 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 2014.

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 2014 except for the adoption of the following new and revised standards, amendments and interpretations that are effective for financial period from 1 July 2014 :

Amendment to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 119: Defined Benefit Plans – Employee Contribution
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures
for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation
Of Hedge Accounting
IC Interpretation 21 Levies
Annual Improvement to MFRSs 2010 – 2013 Cycle
Annual Improvement to MFRSs 2011 – 2014 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 2014 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 30 June 2014	1,048,164	1,129,872
Repurchased during the quarter	-	-
Balance as at 30 September 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 2014.

A9 Segmental reporting

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

Period ended 30.09.14	Construction RM'000	Trading RM'000	Property development RM'000	Investment holding RM'000	Logging and timber trading RM'000	Adjustment and Eliminations RM'000	Total RM'000
<u>Revenue</u>							
External Sales	68,851	13,857	-	-	-	-	82,708
Inter-segment sales		703	-	131	-	(834)	-
Total revenue	<u>68,851</u>	<u>14,560</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>(834)</u>	<u>82,708</u>
<u>Results</u>							
Profit/(Loss) from operation	2,713	320	(781)	(214)	(519)	(406)	1,113
Finance costs	(105)	-	-	-	-	-	(105)
Profit/(Loss) before tax	<u>2,608</u>	<u>320</u>	<u>(781)</u>	<u>(214)</u>	<u>(519)</u>	<u>(406)</u>	<u>1,008</u>
<u>Total assets</u>							
Segment assets/ Consolidated total assets	<u>251,526</u>	<u>19,245</u>	<u>128,828</u>	<u>249,440</u>	<u>81,076</u>	<u>(292,103)</u>	<u>438,012</u>

Information on a geographical segment is not presented as the Group operates predominantly 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 were 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

	The Group		The Company	
	As at 30.09.14 RM'000	As at 30.06.14 RM'000	As at 30.09.14 RM'000	As at 30.06.14 RM'000
Performance and tender bond granted to contract customers	83,420	80,804	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	60,981	63,128

As at the reporting date, there was no indication that any subsidiary would default on repayment.

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

B1 Review of performance

	Current Quarter ended 30/09/2014 (RM'000)	Preceding Year Quarter ended 30/09/2013 (RM'000)
Revenue	82,708	77,589
Consolidated Profit before tax	1,008	918
Consolidated Profit after tax	363	737

The Group recorded a higher revenue of RM82.7 million with a pre-tax profit of RM1.0 million in the current quarter ended 30 September 2014 as compared to a revenue of RM77.6 million and a pre-tax profit of RM0.9 million reported in the preceding year corresponding quarter. The pre-tax profit in the current quarter was derived at after charging the preliminary, marketing and operating expenses amounting to RM1.2 million incurred by the logging and timber trading segment and the property development segment. Both segments has yet to generate revenue during the current quarter.

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

Construction Segment

The construction segment recorded a higher revenue of RM68.9 million in the current quarter as compared to the preceding year corresponding quarter of RM62.7 million was mainly due to increase in construction activities of the on-going projects.

Trading Segment

The trading segment recorded a lower revenue of RM13.9 million in the current quarter as compared to the preceding year corresponding quarter of RM14.9 million. 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 generate any revenue yet except for an other income of RM93,900 during the current quarter.

Investment Holding Segment

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

Logging and Timber Trading Segment

During the current quarter under review, this segment has yet to generate revenue.

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 30/09/2014 (RM'000)	Preceding Quarter ended 30/06/2014 (RM'000)
Revenue	82,708	99,480
Consolidated Profit before tax	1,008	1,043
Consolidated Profit after tax	363	440

For the current quarter ended 30 September 2014, the Group registered a revenue of RM82.7 million and a pre-tax profit of RM1.0 million as compared to revenue and pre-tax profit of RM99.5 million and RM1.0 million respectively in the preceding quarter ended 30 June 2014.

The decreased in revenue of the Group of 16.9% was mainly due to lower revenue generated from trading segment. The Group also registered a decreased in pre-tax profit of 3.4% as compared to the preceding quarter was mainly due to charging out the preliminary, marketing and operating expenses amounting to RM1.2 million incurred by the logging and timber trading segment and the property development segment during the current quarter under review.

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 launched its maiden project GardenHill, Melbourne, Australia on 18 October 2014. The project comprises of 136 units of apartment located in the suburb which is approximately 14km away from CBD, Melbourne.

The Group's other project in Melaka had obtained Developer's Licence and Advertising and Sales Permit and is scheduled for launch in 2015. The project (parcel 1) comprises of 160 units of serviced apartment located in Pulau Melaka. As for the other development lands, the Group has obtained conditional development order approvals for its proposed serviced apartment in Sentul and proposed condominium development in Puchong.

For logging and timber trading 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 first quarter of 2015. 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 30/09/2014 RM'000	3 months ended 30/09/2013 RM'000	3 months ended 30/09/2014 RM'000	3 months ended 30/09/2013 RM'000
Current period's provision	143	181	143	181
Under / (Over) provision for the prior years	-	-	-	-
	143	181	143	181
Deferred taxation	646	-	646	-
Under / (Over) provision for the prior years	(144)	-	(144)	-
	645	181	645	181

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 2014 were as follows :

	RM'000
At cost	7,907
At market value	9,461

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 (“Rights Issue with Warrants”).

The additional 109,628,288 new ordinary shares of RM0.50 each and 109,628,288 warrants issued pursuant to the Rights Issue with warrants were listed and quoted on the main market of Bursa Malaysia Securities Bhd, at 9.00am on Thursday, 2 October 2014.

B9 Borrowings

The tenure of the Group borrowings classified as follows:-

	As at 30.09.2014 RM'000	As at 30.09.2013 RM'000
<u>Secured</u>		
Short Term	17,806	8,513
Long Term	39,336	4,211
	----- 57,142 =====	----- 12,724 =====

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 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 first quarter ended 30 September 2014.

B13 Earnings per share

The **basic earnings per share** is calculated by dividing the net profit attributable to owners 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 owner 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 30.09.2014 RM'000	3 months Ended 30.09.2013 RM' 000	3 months Ended 30.09.2014 RM000	3 months Ended 30.09.2013 RM'000
Net profit attributable to owners of the Company	1,111	737	1,111	737
Weighted Average Number of shares at the end of the period ('000)	226,406	191,714	226,406	191,714
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	109,628	28,715	109,628	28,715
Adjusted number of ordinary shares in issue and issuable ('000)	336,034	220,429	336,034	220,429
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	0.49	0.38	0.49	0.38
Diluted earnings per share (sen)	0.33	0.33	0.33	0.33

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 30/09/2014 RM'000	As at End of Preceding Financial Year 30/06/2014 RM'000
Total accumulated profit of the Company and it's subsidiaries		
- Realised	72,432	71,567
- Unrealised	(3,953)	(3,451)
	68,479	68,116
Less: Consolidation adjustments	(22,553)	(23,301)
Total group retained profit as per consolidated accounts	45,926	44,815

B15 Profit before taxation

	Current Year Quarter 30/09/2014 RM'000 Unaudited	Current Year To-date 30/09/2014 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(268)	(268)
Rental of premises	(100)	(100)
Gain on disposal of property, plant & equipment	-	-
Depreciation	398	398
Interest expense	82	82
Fair value loss on receivables	-	-
Fair value gain on payables	-	-
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 loss	406	406
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 27 November 2014.

By Order of the Board

Fajarbaru Builder Group Bhd (281645-U)

Ooi Leng Chooi
Finance Director

Kuala Lumpur
27 November 2014