# **Notes to the Interim Financial Statements**

1. **ACCOUNTING POLICIES**

The interim financial statements are unaudited and have been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of PJBumi Berhad (the “Company) and its subsidiaries (“Group”) for the financial year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

**First-time adoption of Malaysian Financial Reporting Standards ("MFRS")**

These condensed consolidated interim financial statements for the period ended 30 June 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at Tingkat 5, Bangunan BKA, Lot 10, Jalan Astaka U8/84, Bukit Jelutong Business & Technology Centre, 40150 Shah Alam, Selangor Darul Ehsan.

These condensed consolidated 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 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note 3 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

**MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective**

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group :

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Effective for annual** |
|  |  |  |  |  |  |  |  | **period beginning** |
|  |  |  |  |  |  |  |  | **on or after** |
|  | MFRS 9 : Financial Instruments | | |  |  |  |  | 1 January 2015 |
|  | MFRS 10 : Consolidated Financial Statements | | | |  |  |  | 1 January 2013 |
|  | MFRS 11 : Joint Arrangements | | |  |  |  |  | 1 January 2013 |
|  | MFRS 12 : Disclosure of Interest in Other Entities | | | | |  |  | 1 January 2013 |
|  | MFRS 13 : Fair Value Measurement | | | |  |  |  | 1 January 2013 |
|  | MFRS 119 : Employee Benefits | | |  |  |  |  | 1 January 2013 |
|  | MFRS 127 : Separate Financial Statements | | | |  |  |  | 1 January 2013 |
|  | MFRS 128 : Investments in Associates and Joint Ventures | | | | |  |  | 1 January 2013 |
|  | Amendments to MFRS 1 : Government Loans | | | |  |  |  | 1 January 2013 |
|  | Amendments to MFRS 7 : Disclosures - offsetting Financial Assets and Financial Liabilities | | | |  |  |  | 1 January 2013 |
|  | Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income | | | |  |  |  | 1 July 2012 |
|  | Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities | | | |  |  |  | 1 January 2014 |

1. **AUDIT QUALIFICATION**

The auditors’ opinion on the Group’s audited financial statements for the financial year ended 31 December 2011 was unqualified.

1. **SEASONAL OR CYCLICAL FACTORS**

The Group’s operations are not affected by any seasonal or cyclical factors.

1. **UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows because of their nature, size and incidence during the current quarter under review and financial year-to-date.

1. **MATERIAL CHANGES IN ESTIMATES**

There were no changes in estimates that have a material effect in the current quarter under review and financial year-to-date.

1. **DEBTS AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review and financial year-to-date.

1. **DIVIDENDS PAID**

There were no dividends paid by the Company during the current quarter under review and financial year-to-date.

1. **SEGMENTAL REPORTING**

The Group’s segmental report for the current quarter ended 30 June 2012 is as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Trading, Project & Manufacturing** |  | **Operation & Maintenance** |  | **Management** |  | **Solid Waste Management** | **Elimination** | **Consolidated** |
|  | **RM'000** |  | **RM'000** |  | **RM'000** |  | **RM'000** |  | **RM'000** |
| Revenue |  |  |  |  |  |  |  |  |  |
| -External Sales | 3,060 |  | 489 |  | Nil |  | 999 | Nil | 4,548 |
| Intersegment sales | Nil |  | Nil |  | Nil |  | Nil | Nil | Nil |
|  | 3,060 |  | 489 |  | Nil |  | 999 | Nil | 4,548 |
|  |  |  |  |  |  |  |  |  |  |
| Results |  |  |  |  |  |  |  |  |  |
| -Segment results | 976 |  | 123 |  | (174) |  | 202 | Nil | 1,127 |
|  |  |  |  |  |  |  |  |  |  |
| Finance costs |  |  |  |  |  |  |  |  | (502) |
| Profit before taxation | |  |  |  |  |  |  |  | 625 |
| Tax Expense |  |  |  |  |  |  |  |  | Nil |
| Profit after taxation | |  |  |  |  |  |  |  | 625 |

1. **VALUATION OF PROPERTY, PLANT & EQUIPMENT**

There is no valuation of property, plant and equipment since the last audited financial statements for the year ended 30 June 2012.

1. **SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the current quarter under review.

1. **CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter under review.

1. **CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no material changes in contingent liabilities or contingent assets since the last audited financial statements for the year ended 30 June 2012.

1. **CAPITAL COMMITMENTS**

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

1. **SIGNIFICANT RELATED PARTY TRANSACTIONS**

The Group has the following transactions with related parties during the current quarter under review and financial year-to-date:-

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Individual quarter** |  | **Cumulative quarter** |
|  | **3 months ended** |  | **6 months ended** |
|  | **30.06.2012** |  | **30.06.2012** |
|  | **RM’000** |  | **RM’000** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  | |  | |  |  |  |  |  |
| Project revenue billed by | |  |  | |  | |  |  |  |  |  |
| Progressive Uni San (M) Sdn | |  |  | |  | |  |  |  |  |  |
| Bhd | |  |  | | 1,134 | |  |  | 2,032 |  |  |
|  | |  |  | |  | |  |  |  |  |  |
| Internal audit fee charged by | |  |  | | |  |  |  |  |  |  |
| Progressive Impact Corp Bhd | |  |  | | - | |  |  | 8 |  |  |
|  | |  |  | |  | |  |  |  |  |  |
| Finance costs paid and payable to | | | |  | | |  |  |  |  |  |
| a director |  | |  | | 108 | |  |  | 216 |  |  |
|  |  | |  | |  | |  |  |  |  |  |

Progressive Uni San (M) Sdn Bhd, a company incorporated in Malaysia is one of the subsidiaries of Progressive Impact Corporation Berhad, being the substantial shareholder of the Group.

The transactions with this related party are conducted in accordance with the general mandate obtained from shareholders for recurrent related party transactions.

1. **REVIEW OF PERFORMANCE**

For the quarter ended 30 June 2012, the Group has recorded revenue of RM4.544 million, which is approximately RM1.583 million or 26% lower, compared to previous year’s corresponding quarter. Lower revenue mainly attributable by the Trading, Project & Manufacturing division which has received lower demand in respect of the SATS products especially from the government body customers as well as no refurbishment job secured in Operation & Maintenance division which the Group had in previous year’s corresponding quarter. A loss contract in Solid Waste Management at Selangor area also contributing to the lower revenue recorded by the group.

The Group recorded a pretax profit of RM0.623 million against a pretax loss of RM0.987 million in previous year’s corresponding period.

1. **COMPARISON WITH PRECEDING QUARTER’S RESULTS**

The Group recorded sales revenue of RM4.544 million in the current quarter compared to RM4.317 million in the preceding quarter ended 31 March 2012. The Group recorded a pretax profit of RM0.623 million in the current quarter against a pretax loss of RM0.646 million in the preceding quarter.

1. **PROSPECTS IN THE NEXT FINANCIAL YEAR**

The Group expects the sales and servicing of FRP tanks business segment as well as revenue from solid waste management segment to continue contributing significant results to the consolidated revenue of the Group for the remaining quarters of the current financial year.

1. **VARIANCE OF ACTUAL AND FORECAST PROFIT**

Not Applicable.

1. **TAXATION**

There was no provision for taxation or adjustment of deferred taxation during the current financial quarter.

1. **UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sales of unquoted investment and/or properties for the current quarter under review and financial year-to-date.

1. **QUOTED SECURITIES**

There was no purchase or disposal of quoted securities for the current quarter under review and financial year-to-date. There was no investment in quoted securities as at end of the current quarter under review.

1. **CORPORATE PROPOSALS**
2. **PROPOSED CAPITAL REDUCTION OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PJBUMI VIA THE CANCELLATION OF RM0.50 IN THE EXISTING PAR VALUE OF EACH ORDINARY SHARE OF RM1.00 EACH IN PJBUMI RESULTING IN A NEW PAR VALUE OF RM0.50 FOR EACH ORDINARY SHARE IN PJBUMI PURSUANT TO SECTION 64 OF THE COMPANIES ACT, 1965 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF PJBUMI**

On 19th April 2012, the company announced that the Board of Directors of the Company is proposing to undertake the following:-

(a) Proposed capital reduction of the issued and paid-up share capital of PJBumi via the cancellation of RM0.50 in the existing par value of each ordinary share of RM1.00 each in PJBumi resulting in a new par value of RM0.50 for each ordinary share in PJBumi pursuant to Section 64 of the Companies Act, 1965 (“Act”) (“Proposed Capital Reduction”); and

(b) Proposed amendments to the Memorandum & Articles of Association (“M&A”) of PJBumi to facilitate the change in par value of the PJBumi shares pursuant to the Proposed Capital Reduction (“Proposed Amendments”).

**i)** **PROPOSED DISPOSAL OF 12,000,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 15.79% EQUITY STAKE IN ALAM FLORA SDN BHD FOR A CASH CONSIDERATION OF RM20,400,000**

On 29th May 2012, the company announced that its wholly-owned subsidiary, PJBumi Waste Management Sdn Bhd had on 29 May 2012 entered into a conditional Share Sale Agreement with HICOM Holdings Berhad for the disposal of 12,000,000 ordinary shares of RM1.00 each representing 15.79% equity stake in Alam Flora Sdn Bhd for a cash consideration of RM20,400,000 ("Proposed Disposal").

On 2nd August 2012, the shareholders of the Company have approved the Proposed Capital Reduction, Proposed Amendments and the Proposed Disposal.

1. **BORROWINGS**

As at 30 June 2012, the Group has the following borrowings, which are denominated in Ringgit Malaysia from various local financial institutions:-

| **Secured** | **Total** |
| --- | --- |
|  | RM’000 | RM’000 |
|  |  |  |
| Long Term Borrowings |  |  |
| Restructured Loans | 10,702 | 10,702 |
|  | 10,702 | 10,702 |
| Short Term Borrowings |  |  |
| Current portion of restructured loans | 980 | 980 |
| Liabilities associated with properties classified as held for sale: |  |  |
| -Bank overdrafts | - | - |
|  | 980 | 980 |
|  |  |  |
| Total | 11,682 | 11,682 |

1. **“OFF BALANCE SHEET” FINANCIAL INSTRUMENT**

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

1. **CHANGES IN MATERIAL LITIGATION**

**KUALA LUMPUR HIGH COURT NO.: 22NCC-617-2011 EXPORT - IMPORT BANK OF MALAYSIA BERHAD (“THE PLAINTIFF”) i. SEECO ENGINEERING FOR SEWERAGE AND ENVIRONMENTAL COMPANY LIMITED…1ST DEFENDANT ii. IMPACT FORTE SDN BHD …2ND DEFENDANT iii. KHARTOUM FOR WATER AND SERVICES COMPANY LIMITED … 3RD DEFENDANT iv. PJBUMI BERHAD … 4TH DEFENDANT**

PJBumi Berhad as the 4th Defendant have been served with Writ of Summon and Statement of Claim both dated 6 April 2011 which was presented to the Kuala Lumpur High Court on 20 April 2011 (“the Summons”) by Messrs Adam Abdullah & Mani, the solicitors of the Plaintiff. The  
Company has twelve (12) days from the date of receipt of the Writ of Summon to  
serve the appearance.

The Plaintiff has claimed against the Company as corporate guarantor in respect of the Facility Agreement dated 4th December 2006 between the 1st Defendant and the Plaintiff (“Facility Agreement”) whereas the Company acted as one of the guarantor. The Company had given a corporate guarantee to the 1st Defendant in 2006. At that point of time, the Company was holding 60% stake in the 1st Defendant. Subsequently, the Company has reduced its shareholding by disposing 41% of its equity interest to Impact Forte Sdn Bhd (“2nd Defendant”) as announced on 29 March 2006. In 2008, the Company’s shareholding was further reduced from 19% to 7.8% since the 1st Defendant had increased it paid-up capital, thus diluting the Company’s shareholding.

The Plaintiff is claiming from all the defendants jointly and severally the following:-

1. Outstanding amount of USD3,838,473.93 equivalent to RM12,119,981.43 (as per exchange rate effective on 30 November 2010) due and outstanding as at 30 November 2010;
2. Interest thereon at the rate of 1.31% (Plaintiff’s Cost of Funds effective on 1 December 2010) + 3% per annum on USD3,838,473.93 equivalent to RM12,119,981.43 (as per exchange rate effective on 30 November 2010) from 1 December 2010 until the date of judgment;
3. Default interest thereon at the rate of 2% per annum on the sum of USD3,838,473.93 equivalent to RM12,119,981.43 (as per exchange rate effective on 30 November 2010) from 1 December 2010 until the date of judgment;
4. Further interest thereon at the rate of 8% per annum on the judgment sum of USD3,838,473.93 equivalent to RM12,119,981.43 (as per exchange rate effective on 30 November 2010) from date of judgment until full payment;
5. Suit cost; and
6. Such other or further reliefs as the Court shall deem fit.

On 25th June 2012, the Company announced that Kuala Lumpur High Court ("the Court") has granted PJBumi a conditional stay on the condition that PJBumi deposited a sum of RM6 million into joint solicitors' account within two (2) months from the date of the order dated 15 June 2012, ie. on or before 15 August 2012.

The above judgment was made by the Court after the hearing on the Stay of Execution on 15 June 2012. The application on the Stay of Execution was submitted on 10 May 2012.

The Court was satisfied that there were no special circumstances that warrant a Stay of Execution.

1. **PROPOSED DIVIDEND**

There were no dividends proposed or declared during the current quarter under review and the financial year-to-date.

1. **EARNINGS PER SHARE**

| Individual quarter  3 months ended | | Cumulative quarter  6 months ended | |
| --- | --- | --- | --- |
|  | 30.06.2012 | 30.06.2011 | 30.06.2012 | 30.06.2011 | |
|  |  |  |  |  | |
| (a) Basic profit per share |  |  |  |  | |
|  |  |  |  |  | |
| Net profit/(loss) for the period (RM’000) | 623 | (987) | (23) | (654) | |
| Weighted average number of ordinary shares in issue (‘000) | 50,000 | 50,000 | 50,000 | 50,000 | |
| Basic earnings/(loss) per share (sen) | 1.25 | (1.97) | (0.05) | (1.31) | |
|  |  |  |  |  | |
|  |  |  |  |  | |
| (b) Diluted earnings per share |  |  |  |  | |
|  |  |  |  |  | |

Not applicable.

**28.REALISED AND UNREALISED PROFITS/LOSSESS DISCLOSURE**

The accumulated loss as at 30 June 2012 and 31 March 2012 is analysed as follows:

Current Immediate

Quarter Preceding

Quarter

RM’000 RM’000

Total accumulated loss of the Company and

Subsidiaries

-Realised loss 623 (646)

-Unrealised profit \_ Nil \_ Nil

623 (646)

Less: Consolidated adjustments - -

Total group accumulated loss as per

Consolidated financial statements  **623**  **(646)**

By Order of the Board

Secretary