# EXPLANATORY NOTES

1. **Basis of Preparation**

The condensed interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2011.

These explanatory notes 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.

**2. Changes in Accounting Policies**

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards for the first time in these condensed interim financial statements. The transition to MFRS framework does not have any material financial impact to the financial statements of the Group.

At the date of authorization 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 periods**

**beginning on or**

**MFRSs, Amendments to MFRSs and IC Interpretation after**

MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009*

*and October 2010)*  1 January 2015

MFRS 11 *Joint Arrangements*  1 January 2013

MFRS 12 *Disclosure of Interest and 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 *Investment in Associates and Joint Ventures*  1 January 2013

Amendments to MFRS 7 *Disclosure – 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

**3. Audit Qualification of Preceding Annual Financial Statements**

The preceding Annual Audited Financial Statements for the year ended 31 December 2011 were qualified.

Details of the Audit Qualification as extracted from the Audited Financial Statements are as follows:-

***Basis for Qualified Opinion***

*Included in Group’s trade payables are amounts totaling approximately RM7.0 million which have been reduced from RM22.0 million in previous year that remained since prior period. We were unable to confirm the existence and accuracy of most of these balances via direct confirmation, telephone contacts or other means. Consequently we were not able to obtain sufficient appropriate audit evidence to establish the existence and accuracy of these liabilities.*

*The management has decided to continue its efforts to confirm and settle the outstanding amount due to the trade creditors*

***Qualified Opinion***

*In our opinion, except for the potential adjustments arising from the matters described above, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and their financial performance and cash flows for the year then ended.*

**4. Seasonality and Cyclically Factors**

The business of the Group were not significantly affected by any seasonal or cyclical factors.

**5. Nature and Amount of Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual material items that affect assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

1. **Changes in Estimates**

There were no changes to the estimates of amount reported in the prior financial year that have a material effect in the current quarter.

1. **Issuances, Cancellations, Repurchases, Resale and Repayment of Debts & Equity Securities**

There were no issuances and repayments of debts and equity securities, shares buy-backs, shares cancellations, shares held as treasury shares and/or resale of treasury shares by the Company for the current quarter under review.

**8. Dividend Paid**

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

**9. Segmental Reporting**

The segmental report of the Group for the current year to-date and preceding year corresponding period is as follows: -



**10. Carrying Amount of Revalued Property, Plant and Equipment**

There were no valuation of property, plant and equipment in the Group, the amount accounted is the net book value based on the cost of acquisition less accumulated depreciation.

**11. Subsequent Material Events**

There were no subsequent material events not reflected in the financial statements from the end of 30 June 2012 until 22 August 2012 being a date not earlier than 7 days from the date of issuance of this quarterly report.

1. **Changes in The Composition of The Group / Capital Structure**

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

1. **Changes in Contingent Liabilities and Contingent Assets**

Contingent liabilities of the Group as at 22 August 2012 being a date not earlier than 7 days from the date of issue of this quarterly report comprises of Bank Guarantees and Corporate Guarantees provided by the Group to the various parties in the normal course of business and the changes in contingent liabilities since the last annual balance sheet are as follows: -

Bank Guarantee Corporate Guarantee

(RM’000) (RM’000)

Balance as at 1 January 2012 100 25,730

Additional during the period - -

Expired/Cancelled during the period - -

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Balance as at 22 August 2012 100 25,730 \*\*

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**\*\*** Included in the Corporate Guarantee, a total sum of RM7.90 million is guaranteed by the Company extended to a Financial Institution as security for banking facilities granted to its wholly owned subsidiary.

There were no contingent assets as at the report date.

**14. Capital Commitments**

There were no capital commitments that have a material effect in the current interim financial period.

**15. Significant Related Party Disclosures**

Related parties are those defined under FRS 124 (Related Party Disclosures).

The following are the related party transactions of the Group for the current year quarter and current year to-date under review.



**SECURITIES LISTING REQUIREMENTS**

**16. Group Performance Review**

The Group revenue for the current financial quarter ended 30 June 2012 decreased by RM10.21 million to RM13.12 million from RM23.33 million in the preceding corresponding period. The decrease in revenue was mainly due to the slower progress at site of several construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The Group generated a profit before taxation of RM1.78 million, an increase in profit of RM1.32 million as compared with a profit before taxation of RM0.46 million in the preceding corresponding period. The increase in profit before taxation in the current quarter was mainly due to higher gross profit margin generated in the quarter under review.

**17. Comparison with Preceding Quarter’s Results**

The Group revenue increased to RM13.12 million for the current quarter as compared to a revenue of RM10.14 million for the immediate preceding quarter. The increase in revenue was mainly due to the completion of several construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The current quarter generated a profit before taxation of RM1.78 million, an increase from loss before taxation of RM0.72 million recorded in the immediate preceding quarter. The profit before taxation in the current quarter was mainly due to a higher gross margin for a project during the quarter as compared with the immediate preceding quarter.

1. **Prospect for the Financial Year 2012**

The directors expect the Group’s operating environment to remain challenging and competitive. Barring unforeseen circumstances, the Board foresees the Group’s operational results for the financial year 2012 will be satisfactory**.**

The revenue generation will come mainly from the construction contracts from the property development projects. The Group anticipates that the property development market i.e., the construction of housing and commercial buildings, will remain challenging. For the construction sector, the greatest challenge for the Group will be the price fluctuations of the construction materials.

**19. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending 31 December 2012**

Not applicable as there was no profit forecast and profit guarantee issued.

1. **Taxation**

The taxation for the current quarter consists of the followings: -



There is no taxation provided for the current period because the Group is in a tax loss position mainly due to reversal of impairment loss on trade receivables of RM1.32 million.

**21. Status of Corporate Proposals**

There was no corporate proposal announced that has not been completed as at 22 August 2012 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**22. Borrowings and Debt Securities**

The details of the Group borrowings and debts securities as at 30 June 2012 are as follows: -



**23. Notes to the Statement of Comprehensive Income**

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the condensed consolidated Statement of Comprehensive Income for the second quarter and financial year ended 30 June 2012: -

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Items (b), (c), (f), (g), and (h) are not applicable.

**24. Off Balance Sheet Financial Instrument**

The Group does not have any off balance sheet financial instrument as at the date of this report.

**25. Material Litigation**

Neither the Company nor its subsidiary is engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect and adversely affect on the financial position of the Group.

**26. Dividends**

The Board does not recommend any interim dividend in respect of the current quarter under review.

**27. Earnings Per Share**

**Basic earnings per share**

Basic earning per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares issued during the period.



**28. Realised and Unrealised Retained Earnings**

The breakdown as at 30 June 2012 is as follows: -



**29. Limited Review**

The company’s external auditors have performed a limited review on this quarterly report announcement.

By Order of the Board

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Norazmi Bin Mohamed Nurdin

Chairman/Managing Director

Date: 29 August 2012