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# 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 2012.

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 2012.

**2. Changes in Accounting Policies**

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC interpretation will be applied by the Group and Company when they become effective in the respective financial periods:

 **Effective for**

**annual periods**

**beginning on or**

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

MFRS 3 *Business Combinations* 1 January 2013

MFRS 10 *Consolidated Financial Statements* 1 January 2013

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 1 *First-time Adoption of MFRS – Government*

 *Loans*  1 January 2013

Amendments to MFRS 7 *Disclosure – Offsetting Financial Assets and*

 *Financial Liabilities*  1 January 2013

Amendments to MFRS 10 *Consolidated Financial Statements: Transition*

 *Guidance* 1 January 2013

Amendments to MFRS 11 *Joints Arrangements: Transition Guidance* 1 January 2013

Amendments to MFRS 12 *Disclosure of Interests in Other Entities:*

 *Transition Guidance* 1 January 2013

Amendments to MFRS 132 *Offsetting Financial Assets and*

 *Financial Liabilities*  1 January 2014

Amendments to MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in*

 *November 2009 and October 2010)* 1 January 2015

**3. Seasonality and Cyclically Factors**

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

**4. 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.

**7. Dividend Paid**

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

**8. Segmental Reporting**

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



**9. 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.

**10. Subsequent Material Events**

There was no subsequent material events not reflected in the financial statements from the end of 30 June 2013 until 21 August 2013 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 21 August 2013 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 2013 100 25,730

 Additional during the period 100 -

 Expired/Cancelled during the period - -

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 Balance as at 21 August 2013 200 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.

**13. Capital Commitments**

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

**14. 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**

**15. Group Performance Review**

The Group revenue for the current financial quarter ended 30 June 2013 increased by RM12.69 million to RM25.81 million from RM13.13 million in the preceding corresponding period. The increase in revenue was mainly attributed to new construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The Group incurred a loss before taxation of RM3.82 million, a decrease in profit of RM5.60 million as compared to profit of RM1.78 million in the preceding corresponding period. The decrease in profit before taxation in the current quarter was mainly due to impairment loss of RM4.24 million on trade receivables in the quarter under review.

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

The Group revenue decreased to RM25.81 million for the current quarter, as compared to revenue of RM31.08 million for the immediate preceding quarter. The decrease in revenue was mainly due to completion of several construction contracts undertaken by the Group. The results relate solely to the construction operating segment.

The current quarter generated a loss before taxation of RM3.82 million, a decrease from RM7.54 million profits recorded in the immediate preceding quarter. The loss before taxation in the current quarter was mainly due to impairment loss on trade receivables of RM4.24 million during the quarter under review.

1. **Prospect for the Financial Year 2013**

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 2013 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.

**18. Variances on Profit Forecast and Profit Guarantee for Financial Year Ending 31 December 2013**

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

1. **Taxation**

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



The Group’s effective tax rate is lower than the statutory tax rate by the Inland Revenue Board for the current financial period was due to the net reversal of impairment loss on trade receivables.

**20. Status of Corporate Proposals**

 There was no corporate proposal announced that has not been completed as at 21 August 2013 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**21. Borrowings and Debt Securities**

The details of the Group borrowings and debts securities as at 30 June 2013 are as follows: -



**22. 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 2013: -



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

**23. Off Balance Sheet Financial Instrument**

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

**24. 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.

**25. Dividends**

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

**26. Earnings Per Share**

**Basic earnings per share**

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



**27. Realised and Unrealised Retained Earnings**

 The breakdown as at 30 June 2013 is as follows: -

 

By Order of the Board,

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Norazmi Bin Mohamed Nurdin

Chairman/Managing Director

Date: 28 August 2013