



**Report for the
Third Quarter Ended
30 September 2016**

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JAVA BERHAD (2511-M)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	(UNAUDITED)	(AUDITED)
	As At 30-Sep-16 <u>RM '000</u>	As At 31-Dec-15 <u>RM '000</u>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipments	78,696	82,343
Plantation development expenditures	12,321	12,815
TOTAL NON-CURRENT ASSETS	<u>91,017</u>	<u>95,158</u>
CURRENT ASSETS		
Inventories	10	26
Trade and other receivables	1,475	2,090
Tax recoverable	7	7
Deposits placed with licensed bank	241	561
Cash and bank balances	323	113
TOTAL CURRENT ASSETS	<u>2,056</u>	<u>2,797</u>
TOTAL ASSETS	<u>93,073</u>	<u>97,955</u>
EQUITIES AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY		
Share capital	173,396	173,396
Share premium	1,571	1,571
Revaluation reserve	39,656	40,253
Share options reserve	86	86
Accumulated losses	(189,940)	(183,183)
SHAREHOLDERS' FUNDS	<u>24,769</u>	<u>32,123</u>
Non-controlling interest	158	393
TOTAL EQUITY	<u>24,927</u>	<u>32,516</u>
NON-CURRENT LIABILITIES		
Other payables	-	-
Loans and borrowings	4,500	5,656
TOTAL NON-CURRENT LIABILITIES	<u>4,500</u>	<u>5,656</u>
CURRENT LIABILITIES		
Trade and other payables	24,982	23,728
Loans and borrowings	38,569	35,960
Tax payable	95	95
TOTAL CURRENT LIABILITIES	<u>63,646</u>	<u>59,783</u>
TOTAL LIABILITIES	<u>68,146</u>	<u>65,439</u>
TOTAL EQUITY AND LIABILITIES	<u>93,073</u>	<u>97,955</u>
	-	-
Net assets per ordinary share (RM)	0.14	0.19

The above statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016**

	INDIVIDUAL QUARTER 3RD QUARTER		Year To Date 3RD QUARTER	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter	9 Months Cumulative to Date	Preceding 9 Months Cumulative to Date *
	30-Sep-16 RM '000	30-Sep-15 RM '000	30-Sep-16 RM '000	30-Sep-15 RM '000
Revenue	544	469	1,386	N/A
Cost of sales	(1,582)	(2,333)	(4,847)	N/A
Gross loss	(1,038)	(1,864)	(3,461)	N/A
Other income	19	32	905	N/A
Distribution expenses	-	(6)	-	N/A
Administrative expenses	(749)	(1,325)	(1,893)	N/A
Other expenses	-	-	-	N/A
Results from operating activities	(1,768)	(3,163)	(4,449)	N/A
Finance cost	(1,289)	(865)	(3,140)	N/A
Loss before tax	(3,057)	(4,028)	(7,589)	N/A
Taxation	-	-	-	N/A
Loss for the period	(3,057)	(4,028)	(7,589)	N/A
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	(3,057)	(4,028)	(7,589)	N/A
Loss attributable to:				
- Equity holders of the Company	(2,995)	(3,928)	(7,343)	N/A
- Non-controlling interest	(62)	(100)	(246)	N/A
	(3,057)	(4,028)	(7,589)	N/A
Total comprehensive loss attributable to:				
- Equity holders of the Company	(2,995)	(3,928)	(7,343)	N/A
- Non-controlling interest	(62)	(100)	(246)	N/A
	(3,057)	(4,028)	(7,589)	N/A
Basic loss per ordinary share (sen)	(1.73)	(2.27)	(4.23)	N/A
Diluted loss per ordinary share (sen)	(1.73)	(2.27)	(4.23)	N/A

* Due to the change in the previous financial year end from 30 June 2015 to 31 December 2015, there were no comparative financial information available for the 9-month financial period 30 Sept 2015

The above statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

JAVA BERHAD (2511-M)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016**

9 months ended 30 September 2016

	-----Equity attributable to owners of the parent, total-----					Total	Non- controlling interest	Total Equity
	------(Non-distributable)-----			------(Distributable)-----				
	Share Capital RM '000	Share Premium RM '000	Share Option RM'000	Revaluation Reserve RM'000	Accumulated Losses RM '000	RM '000	RM '000	RM '000
At 1 January 2016	173,396	1,571	86	40,253	(183,183)	32,123	393	32,516
Loss for the financial period	-	-	-	-	(7,343)	(7,343)	(246)	(7,589)
Other comprehensive income for the financial period	-	-	-	(597)	586	(11)	11	-
At 30 September 2016	173,396	1,571	86	39,656	(189,940)	24,769	158	24,927
At 1 July 2014	173,394	1,571	114	41,103	(130,070)	86,112	1,020	87,132
Loss for the financial period	-	-	-	-	(53,970)	(53,970)	(648)	(54,618)
Other comprehensive income for the financial period	-	-	-	(850)	829	(21)	21	-
Issuance of Ordinary Shares	2	-	-	-	-	2	-	2
ESOS lapsed	-	-	(28)	-	28	-	-	-
At 31 December 2015	173,396	1,571	86	40,253	(183,183)	32,123	393	32,516

The above statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

JAVA BERHAD (2511-M)*(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2016**

	9 months ended 30-Sep-16 RM '000	9 months ended 30-Sep-15 RM '000
Cash Flow from operating activities		*
Loss before taxation	(7,589)	N/A
Adjustments for:		
Amortisation of plantation development expenditure	493	N/A
Depreciation of property, plants and equipments	3,334	N/A
Interest expenses	3,140	N/A
Gain on disposal of property, plant and equipment	(723)	N/A
Operating loss before working capital changes	(1,345)	N/A
Changes in working capital		
Inventories	16	N/A
Receivables	650	N/A
Payables	2,406	N/A
Cash generated from operations	1,727	N/A
Interest paid	(3,140)	N/A
Net cash used from operating activities	(1,413)	N/A
Cash flows from investing activities		
Purchase of property, plant and equipments	-	N/A
Net cash used in investing activities	-	N/A
Cash flow from financing activities		
Net payments of hire purchase creditors	(178)	N/A
Drawdown/ (repayment) of term loans	1,514	N/A
Net cash generated in financing activities	1,336	N/A
Net increase in cash and cash equivalents	(77)	N/A
Effect of exchange differences	-	N/A
Cash and cash equivalents at beginning of the year	(4,068)	N/A
Cash and cash equivalents at end of the period	(4,145)	N/A
Cash and cash equivalents comprise the followings:		
Cash and bank balances	323	N/A
Deposits placed with licensed bank	241	N/A
Bank overdraft	(4,709)	N/A
	(4,145)	N/A

* Due to the change in the previous financial year end from 30 June 2015 to 31 December 2015, there were no comparative financial information available for the 9-month financial period ended 30 December 2015

The above statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT – 30 SEPTEMBER 2016
(The figures have not been audited)

1. **Basis of preparation**

The interim financial report is prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s Annual Audited Financial Report for the Year Ended 31 December 2015. These explanatory notes attached to the interim financial report 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 financial year ended 31 December 2015.

The financial statements are expressed in Ringgit Malaysia and all values are rounded to the nearest thousand (‘000) except when otherwise stated.

2. **Significant Accounting policies**

The significant accounting policies, methods of computation and basis of consolidation adopted are consistent with those of the annual financial statements for the year ended 31 December 2015.

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* (“*Transitioning Entities*”). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2018. The Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs Framework. The Group and the Company will prepare its first MFRSs financial statements using the MFRSs Framework for the financial year ending 31 December 2018.

3. **Audit report of the preceding annual financial statements**

There was a disclaimer opinion on the Group’s audited annual financial statements for the year ended 31 December 2015.

4. **Seasonality or cyclicity of operations**

The business operations of the Group were generally affected by the seasonal changes in weather and buying patterns.

5. **Items of unusual nature, size or incidence**

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

6. **Changes in estimates**

There were no changes in estimates that have had material effects in the current quarter and financial period to date.

7. **Issuance and repayment of Debt and Equity Securities**

There were no issuance and repayment of Debt and Equity securities in the current quarter and financial period to date.

8. **Dividend paid**

No dividends were paid during the current financial period.

9. **Segmental information**

The Group is focused in 3 areas of activity, timber products, plantation and investment holding.

The segmental reporting for the period ended 30 Sept 2016:

	Timber products	Plantation	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue					
External revenue	270	1,116	-	-	1,386
Intersegment revenue	-	-	9	(9)	-
Total revenue	270	1,116	9	(9)	1,386
Segment results					
Operating profit/(loss)	(2,610)	(715)	(1,055)	(69)	(4,449)
Finance cost	(2,625)	(515)	-	-	(3,140)
Taxation	-	-	-	-	-
Net profit/(loss) after taxation	(5,235)	(1,230)	(1,055)	(69)	(7,589)
Non-controlling interest	-	-	246	-	246
Net profit/(loss) attributable to owners of the Group for the period	(5,235)	(1,230)	(809)	(69)	(7,343)

10. **Property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without amendments from the previous audited financial statements.

11. **Subsequent events**

There were no significant events subsequent to the end of the current financial quarter.

12. **Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial period to date.

13. **Contingent liabilities/assets**

There were no material changes in the contingent assets or liabilities since the last annual balance sheet date.

14. **Significant related party transactions**

SIGNIFICENT RELATED PARTY TRANSACTIONS

Transactions with related parties	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000

**Rental expenses paid to a Company
in which a substantial shareholder
Dato' Choo Keng Weng has interest**

- Desa Samudra Sdn. Bhd	71	71	223	N/A
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The directors are of the opinion that the above transaction has been entered into the normal course of business and the terms are no less favourable than those arranged with third parties.

Additional disclosure pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

15. **Performance Review**

	Current Quarter Ended 30-Sep-16		Previous Current Quarter Ended 30-Sep-15	
	Revenue RM'000	Operating Loss RM'000	Revenue RM'000	Operating Loss RM'000
Timber Products	-	(1,127)	115	(2,103)
Plantation	544	(149)	354	(325)
Other	-	(492)	-	(738)
	<u>544</u>	<u>(1,768)</u>	<u>469</u>	<u>(3,166)</u>

The Group recorded higher revenue of RM 0.54 million and lower operating loss of RM 1.77 million in the current quarter ended 30 Sept 2016 as compared to revenue of RM 0.47 million and operating loss of RM 3.17 million in the previous year corresponding quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 Sept 2016 is as follows:

Timber Products

The Group had no revenue recorded in the current quarter ended Sept 2016 as compared to revenue of RM 0.12 million in the previous year corresponding quarter. The group has since ceased its timber business on the 8th Jan 2016.

The Group recorded operating loss of RM 1.13 million in the current quarter ended 30 Sept 2016 as compared to operating loss of RM 2.10 million in the previous year corresponding quarter.

Plantation

In respect of plantation segment, the Group recorded revenue of RM 0.54 million in the quarter under review as compared to previous year corresponding quarter of RM 0.35 million, an increase of 53%. The increase due to higher production of the fresh fruit bunches and selling price

The Group recorded operating loss of RM 0.15 million in the quarter under review as compared to operating loss in previous year corresponding quarter RM 0.33 million.

Others

Others segment consist of investment holding company and other subsidiary which remain inactive in the quarter under review, thus no revenue was recorded and cost incurred was mainly on investment holding company administrative expenses.

16. **Variation of result against immediate preceding quarter**

	Current Quarter Ended 30-Sep-16		Preceding Quarter Ended 30-Jun-16	
	Revenue RM'000	Operating Loss RM'000	Revenue RM'000	Operating Loss RM'000
Timber Products	-	(1,127)	162	(545)
Plantation	544	(149)	426	(180)
Other	-	(492)	-	(83)
	544	(1,768)	588	(808)

Timber Products

The Group had no revenue recorded as compared to RM 0.16 million in the previous corresponding quarter, operating loss before taxation was RM 1.13 million in the current quarter as compared to the loss before taxation of RM 0.55 million in the immediate preceding quarter. Higher loss in current quarter under review as a result of no recorded revenue since the cessation of the timber operation

Plantation

In respect of plantation segment, the Group recorded revenue of RM 0.54 million and loss before taxation of RM 0.15 million in the current quarter as compared to revenue of RM 0.43 million and loss before taxation of RM 0.18 million in the immediate preceding quarter. The higher revenue was due to higher production and selling price for fresh fruit bunches.

17. **Coming Quarter Prospects**

Timber Products

The Group has announced its cessation of timber business on 8th January 2016.

Plantation

The board would continue and take steps to reduce the operation cost and increase the operational efficiency.

18. **Profit forecast or profit guarantee**

No profit forecast or profit guarantee has been issued by the Group.

19. **Taxation**

The taxation charges of the Group for the period under review are as follows:-

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Malaysian tax expense				
Income tax				
- Current year	-	-	-	N/A
- (Under)/over provision in prior years	-	-	-	N/A
	-	-	-	N/A
Deferred taxation				
- Current year	-	-	-	N/A
- Over provision in prior years	-	-	-	N/A
	-	-	-	N/A
	-	-	-	N/A

No tax charge has been provided as the Group has no taxable income for the financial quarter under review.

20. **Corporate Proposals**

There were no corporate proposals announced which was not completed as at 16th Nov 2016, a date not earlier than seven (7) days from the date of this report.

21. **Group borrowings**

The Group's borrowings as at 30 Sept 2016 comprises the following: -

	30-Jun-16 RM'000	31-Dec-15 RM'000
Short term borrowings		
- Secured		
Bank overdraft	4,675	4,431
Hire purchase creditors	32	179
Bankers' acceptance	-	-
Term loan	33,862	31,350
	<u>38,569</u>	<u>35,960</u>
Long term borrowings		
- Secured		
Hire purchase creditors	-	31
Term loan	4,500	5,625
	<u>4,500</u>	<u>5,656</u>
	<u>43,069</u>	<u>41,616</u>

All borrowings are denominated in Ringgit Malaysia.

22. **Material Litigation**

Save as disclosed below, to the best knowledge of the Board, our Group is not involved in any material litigation, claims or arbitration, either as a plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against our Group or any facts which are likely to give rise to any proceedings, which may materially and adversely affect the business or the financial position of our Group:-

(A) On 8 June 2016, the Company, and its wholly owned subsidiaries namely Java Industries Sdn Bhd (JISB), Java Timber Sdn Bhd (JTSB) and Java Plantation Sdn Bhd (JPSB) have been served a Writ of Summons and Statement of Claim from Hong Leong Bank Berhad ("the Plaintiff") on the following claims:

i). JISB

- (a) RM1,280,122.83 due as at 26 April 2016 with interest thereon at the rate of 3.5% per annum above Hong Leong's Base Lending Rate on daily basis with monthly rest from 27 April 2016 until the date of full settlement;
- (b) RM15,383,374.85 due as at 26 April 2016 with interest thereon at the rate of 5% per annum above Hong Leong's Base Lending Rate on monthly rest from 27 April 2016 until the date of full settlement;

ii) JTSB

- (a) RM1,279,729.50 due as at 26 April 2016 with interest thereon at the rate of 3.5% per annum above Hong Leong's Base Lending Rate on daily basis with monthly rests from 27 April 2016 until the date of full settlement;
- (b) RM15,360,214.08 due as at 26 April 2016 with interest thereon at the rate of 5% per annum above Hong Leong's Base Lending Rate on monthly rest from 27 April 2016 until the date of full settlement;

iii) JAVA & JPSB

- (a) RM1,280,122.83 due as at 26 April 2016 with interest thereon at the rate of 3.5% per annum above Hong Leong's Base Lending Rate on daily basis with monthly rest from 27 April 2016 until the date of full settlement;
- (b) RM15,383,374.85 due as at 26 April 2016 with interest thereon at the rate of 5% per annum above Hong Leong's Base Lending Rate on monthly rest from 27 April 2016 until the date of full settlement;
- (c) RM1,279,729.50 due as at 26 April 2016 with interest thereon at the rate of 3.5% per annum above Hong Leong's Base Lending Rate on daily basis with monthly rests from 27 April 2016 until the date of full settlement;
- (d) RM15,360,214.08 due as at 26 April 2016 with interest thereon at the rate of 5% per annum above Hong Leong's Base Lending Rate on monthly rest from 27 April 2016 until the date of full settlement;

iv) JISB, JTSB, JAVA & JPSB

- (a) Costs on a solicitor-client basis; and
- (b) Such further and/or other relief as the High Court deems fit.

The Board of Directors of JAVA also wishes to announce that the case management has been fixed for 14 June 2016 pending the filing of the Company's statement of defence.

(B) On 27 June 2016, JTSB and JISB, being wholly-owned subsidiaries of JAVA, had received a Notice pursuant to Section 186 of the Companies Act, 1965 of the Appointment of Receivers and Managers ("R&M") ("Notice") by Hong Leong Bank Berhad ("HLBB"). Pursuant to the Notice dated 27 June 2016, HLBB has appointed Encik Mohamed Raslan Abdul Rahman and Ms Chan Siew Mei of KPMG Deal Advisory Sdn Bhd, jointly and/or severally as Receivers and Managers over the charged assets of JTSB and JISB under the powers contained in the Debentures dated 9 July 2007 created by JTSB and JISB in favour of HLBB for the facilities granted by HLBB ("Debenture").

23. **Dividends**

The Board of Directors do not recommend any interim dividends for the current quarter under review.

24. **Earnings per share (“EPS”)**

	Individual Quarter 3 months ended		Cummulative Quarter 9 months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Loss attributable to owners of the Company	(2,995)	(3,928)	(7,343)	N/A
Weighted average number of ordinary shares	173,396	173,396	173,396	N/A
Adjusted weighted average number of ordinary shares	173,396	173,396	173,396	N/A
Basic EPS (sen)	(1.73)	(2.27)	(4.23)	N/A
Diluted EPS (sen)	(1.73)	(2.27)	(4.23)	N/A

25. **Realised and Unrealised Profit And Loss:**

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Current Financial Year Months Ended 30-Sep-16 RM'000	Preceding Financial Year Ended 31-Dec-15 RM'000
Total retained profits of the Group:		
- Realised	(189,940)	(183,183)
- Unrealised	-	-
Total group accumulated losses	<u>(189,940)</u>	<u>(183,183)</u>

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

	9 months ended 30 September 2016 (RM'000)
Net loss for the period is arrived after charging:	
Amortisation of plantation development expenditure	493
Depreciation of property, plant and equipment	3,394
Interest expense	3,191
Gain on disposal of property, plant & equipment	(723)

Other than the above as disclosed in the Statement of Comprehensive Income, there were no other income including investment income, provision for and write-off of receivables, provision for and write-off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current and financial period to date.