

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 31 March 2015 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2014	1,053,164	1,132,229
Repurchased during the quarter	-	-
Balance as at 31 March 2015	1,053,164	1,132,229

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 paid 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 31.03.15	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	216,855	45,399	-	-	12,403	-	274,657
Inter-segment sales		2,642	-	389	-	(3,031)	-
Total revenue	216,855	48,041	-	389	12,403	(3,031)	274,657
<u>Results</u>							
Profit/(Loss) from operation	6,503	953	(3,979)	(565)	1,865	(554)	4,223
Finance costs	(365)	-	-	-	(7)	-	(372)
Profit/(Loss) before tax	6,137	953	(3,979)	(565)	1,858	(554)	3,851
<u>Total assets</u>							
Segment assets/ Consolidated total assets	350,793	20,304	139,478	230,590	118,981	(395,643)	464,503

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 31.03.15 RM'000	As at 30.06.14 RM'000	As at 31.03.15 RM'000	As at 30.06.14 RM'000
Performance and tender bond granted to contract customers	82,745	80,804	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	46,693	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 31/03/2015 (RM'000)	Preceding Year Corresponding Quarter ended 31/03/2014 (RM'000)
Revenue	106,033	54,920
Consolidated Profit before tax	1,822	1,076
Consolidated Profit after tax	1,529	952

The Group recorded a higher revenue of RM106.0 million with a pre-tax profit of RM1.8 million in the current quarter ended 31 March 2015 as compared to a lower revenue of RM54.9 million and pre-tax profit of RM1.1 million reported in the preceding year corresponding quarter. The higher pre-tax profit for the Group was due to higher profit contributed from the logging and timber trading segment which has started generating revenue in the current quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2015 is as follows:

Construction Segment

The construction segment recorded a higher revenue of RM74.9 million in the current quarter as compared to the preceding year corresponding quarter of RM46.3 million. The lower revenue recorded in the preceding year corresponding quarter was due to one of projects had been slow down in the work progress because of landslip at site.

Trading Segment

The trading segment recorded a higher revenue of RM18.7 million in the current quarter as compared to the preceding year corresponding quarter of RM8.6 million. This segment is mainly trading of 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 RM78,900 recorded 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

The logging and timber trading segment has recorded its first revenue of RM12.4 million in the current quarter.

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 31/03/2015 (RM'000)	Preceding Quarter ended 31/12/2014 (RM'000)
Revenue	106,033	85,916
Consolidated Profit before tax	1,822	1,021
Consolidated Profit after tax	1,529	310

For the current quarter ended 31 March 2015, the Group registered a revenue of RM106.0 million and a pre-tax profit of RM1.8 million as compared to lower revenue and pre-tax profit of RM85.9 million and RM1.0 million respectively in the preceding quarter ended 31 December 2014.

The increased in revenue and pre-tax profit of the Group of 23.4% and 78.5% respectively were due to the higher revenue generated from the construction segment as well as the first revenue generated from the logging and timber trading segment, of which its has contributed RM12.4 million in revenue.

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 segment, the Group has commenced and generated revenue from its logging and timber trading activities during the current quarter. 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 31/03/2015 RM'000	3 months ended 31/03/2014 RM'000	9 months ended 31/03/2015 RM'000	9 months ended 31/03/2014 RM'000
Current period's provision	520	41	789	289
Under / (Over) provision for the prior years	(86)	1	(86)	1
Deferred taxation	434	42	703	290
Under / (Over) provision for the prior years	(142)	82	1,090	971
	-	-	(144)	-
	292	124	1,649	1,261

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 31 March 2015 were as follows :

	RM'000
At cost	7,907
At market value	7,096

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 Status of Utilisation of Proceeds

Status of Utilisation of Proceeds as at 31 March 2015

	Proposed Utilisation RM'000	Actual Utilisation RM'000
<u>Rights Issue of 109,628,288 Shares</u>		
Investment in logging and timber trading business	27,132	(27,132)
Working Capital*	27,132	(27,328)
Expenses in relation to the Rights Issue with Warrants	550	(354)
	<u>54,814</u>	<u>(54,814)</u>

** The proceeds for working capital will be utilised to finance the day-to-day operations of the Group's existing business segments.*

B10 Borrowings

The tenure of the Group borrowings classified as follows:-

	As at 31.03.15 RM'000	As at 31.03.14 RM'000
<u>Secured</u>		
Short Term	9,271	3,853
Long Term	37,703	40,538
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	46,974	44,391
	=====	=====

The Group borrowings are all denominated in Ringgit Malaysia.

B11 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2015.

B12 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.

B13 Dividend

An interim single tier dividend of 2.5% be declared in respecting of the financial year ending 30 June 2015.

The interim dividend will be paid on 31 July 2015 to the shareholders whose names appear in the Record of Depositors of the Company on 3 July 2015

B14 Earnings per share

The **basic earnings per share** is calculated by dividing the net profit attributable to equity holders 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 equity holders 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 into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 31.03.15 RM'000	3 months Ended 31.03.14 RM' 000	9 months Ended 31.03.15 RM000	9 months Ended 31.03.14 RM'000
	Net profit attributable to owners of the Company	782	955	3,369
Weighted Average Number of shares at the end of the period ('000)	328,880	214,482	294,473	207,402
Weighted Average Number of shares of conversion of Warrants to shares ('000)	109,628	-	109,628	-
Adjusted number of ordinary shares in issue and issuable ('000)	438,508	214,482	404,101	207,402
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	0.24	0.45	1.14	1.20
Diluted earnings per share (sen)	0.18	0.45	0.83	1.20

B15 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 31/03/2015 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	74,715	71,567
- Unrealised	(4,397)	(3,451)
	70,318	68,116
Less: Consolidation adjustments	(22,134)	(23,301)
Total group retained profit as per consolidated accounts	48,184	44,815

B16 Profit before taxation

	Current Year Quarter 31/03/2015 RM'000 Unaudited	Current Year To-date 31/03/2015 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(345)	(1,125)
Rental of premises	(85)	(255)
Gain on disposal of property, plant & equipment	-	-
Depreciation	476	1,296
Interest expense	96	308
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	170	554
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

N/A – Not Applicable

B17 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 21 May 2015.

By Order of the Board
Fajarbaru Builder Group Bhd (281645-U)

Ooi Leng Chooi
Finance Director

Kuala Lumpur
21 May 2015