

## **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 30 June 2015 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2015	1,053,164	1,132,229
Repurchased during the quarter	5,000	2,200
Balance as at 30 June 2015	1,058,164	1,134,429

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 30.06.15	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
<b><u>Revenue</u></b>							
External Sales	303,114	46,830	-	-	37,582	-	387,526
Inter-segment sales	-	12,693	-	515	-	(13,208)	-
Total revenue	<u>303,114</u>	<u>59,523</u>	<u>-</u>	<u>515</u>	<u>37,582</u>	<u>(13,208)</u>	<u>387,526</u>
<b><u>Results</u></b>							
Profit/(Loss) from operation	5,578	1,044	(14,218)	(347)	14,223	(193)	6,087
Finance costs	(919)	-	-	-	(11)	-	(930)
Profit/(Loss) before tax	<u>4,659</u>	<u>1,044</u>	<u>(14,218)</u>	<u>(347)</u>	<u>14,212</u>	<u>(193)</u>	<u>5,157</u>
<b><u>Total assets</u></b>							
Segment assets/ Consolidated total assets	<u>360,020</u>	<u>18,313</u>	<u>120,148</u>	<u>108,205</u>	<u>83,397</u>	<u>(237,639)</u>	<u>452,444</u>

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, except for an incorporation of a wholly owned subsidiary, Fajarbaru Logistics Sdn. Bhd., to provide logistic services on the 18 June 2015.

**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 30.06.15 RM'000	As at 30.06.14 RM'000	As at 30.06.15 RM'000	As at 30.06.14 RM'000
Performance and tender bond granted to contract customers	82,987	80,804	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	48,892	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 30/06/2015 (RM'000)	Preceding Year Corresponding Quarter ended 30/06/2014 (RM'000)
Revenue	112,869	99,480
Consolidated Profit before tax	1,306	1,043
Consolidated Loss after tax	(2,297)	440

The Group recorded a higher revenue of RM112.9 million with a pre-tax profit of RM1.3 million in the current quarter ended 30 June 2015 as compared to a lower revenue of RM99.5 million and pre-tax profit of RM1.0 million reported in the preceding year corresponding quarter.

The higher revenue recorded in the current quarter was contributed by the better performance from the construction segment as well as the logging and timber trading segment, which it has contributed RM25.2 million to the Group in the current quarter. The pre-tax profit of RM1.3 million in the current quarter was derived at after providing an impairment loss on receivables and property, plant and equipment amounted to RM3.5 million and RM4.7 million respectively.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 June 2015 is as follows:

**Construction Segment**

The construction segment recorded a higher revenue of RM86.3 million in the current quarter as compared to the preceding year corresponding quarter of RM67.1 million. The higher revenue in the current quarter was contributed by acceleration progress over two on-going projects which to be handed over soon.

**Trading Segment**

The trading segment recorded a lower revenue of RM1.4 million in the current quarter as compared to the preceding year corresponding quarter of RM32.4 million was mainly due to less material being used by our appointed sub-contractors and also the elimination of transactions within the Group. The Trading division has changed its billing policy to bill the Construction division directly instead of billing to the respective sub-contractors appointed by the Construction division after taking into consideration of the Goods and Services Tax implication.

**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.

During the current quarter, this segment has yet to generate any revenue to the Group except for other income of RM78,900.

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 contributed a significant amount of revenue amounting to RM25.2 million in the current quarter, of which it activities has just commenced in January 2015. Thus, no revenue was reported in the preceding corresponding quarter ended 30 June 2014.

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 30/06/2015 (RM'000)	Preceding Quarter ended 31/03/2015 (RM'000)
Revenue	112,869	106,033
Consolidated Profit before tax	1,306	1,822
Consolidated Loss after tax	(2,297)	1,529

For the current quarter ended 30 June 2015, the Group registered a revenue of RM112.9 million and a pre-tax profit of RM1.3 million as compared to a lower revenue and a higher pre-tax profit of RM106.0 million and RM1.8 million respectively in the preceding quarter ended 31 March 2015.

The increased in revenue of 6.4% was mainly derived from the contribution by the logging and timber trading segment, of which it has contributed RM25.2 million in the current quarter as compared to RM12.4 million in the preceding quarter.

Despite of higher revenue, the decreased in pre-tax profit for the Group of 28.3% was derived at after providing an impairment loss on the receivables and the property, plant and equipment for the total amount of RM8.2 million.

**B3**     **Current year prospects**

The Group will continue to focus on its construction segment which is the main core business for 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 its property segment, the Group is proud to announce its maiden project, the GardenHill at Melbourne, Australia, has reached 80% sales and construction works are expected to commence in the month of September 2015.

The Group's other projects in Puchong and Sentul are expected to kick off at the end of 2015 and early 2016 after the approval of Developer License and Advertisement and Sales permit. These projects have received good response owing to its central location. As for its project in Melaka, it will be launched once the market in Melaka improves.

Another segment which expected to generate significant revenue to the Group is the logging and timber trading segment. This segment has contributed substantially and will continue to make momentous contribution to the Group's revenue over the next five years.

The Group will continue to explore for more business opportunities and committed to improve its earnings growth for the sustainability of the Group.

**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	3 months ended	12 months ended	12 months ended
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Current period's provision	3,222	184	4,011	473
Under / (Over) provision for the prior years	-	-	(86)	1
	3,222	184	3,925	474
Deferred taxation	314	419	1,471	1,390
Under / (Over) provision for the prior years	-	-	(144)	-
	3,536	603	5,252	1,864

The effective tax rate for the financial year was higher than the statutory income tax rate in Malaysia mainly due to certain expenses not deductible for tax purposes.

**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 30 June 2015 were as follows :

**RM'000**

At cost 7,907

At market value 5,125

**B8 Status of corporate proposals announced**

There were no corporate proposals announced during the financial period to date.

**B9 Status of Utilisation of Proceeds**

Status of Utilisation of Proceeds as at 30 June 2015

	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>
<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 30.06.15 RM'000	As at 30.06.14 RM'000
<b><u>Secured</u></b>		
Short Term	16,487	39,751
Long Term	33,354	23,377
	<u>49,841</u>	<u>63,128</u>

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 30 June 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**

No dividend has been declared for the fourth quarter ended 30 June 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 30.06.15 RM'000	3 months Ended 30.06.14 RM' 000	12 months Ended 30.06.15 RM000	12 months Ended 30.06.14 RM'000
Net profit/(loss) attributable to owners of the Company	(5,961)	534	(2,592)	3,026
Weighted Average Number of shares at the end of the period ('000)	303,051	216,874	328,878	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)	412,679	216,874	438,506	207,402
Nominal value of share (RM)	0.50	0.50	0.50	0.50
<b>Basic earnings per share (sen)</b>	(1.97)	0.25	(0.79)	1.46
<b>Diluted earnings per share (sen)</b>	(1.44)	N/A	(0.59)	N/A

**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 30/06/2015 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	60,252	71,567
- Unrealised	(4,016)	(3,451)
	56,236	68,116
Less: Consolidation adjustments	(25,798)	(23,301)
Total group retained profit as per consolidated accounts	30,438	44,815

**B16 Profit before taxation**

	Current Year Quarter 30/06/2015 RM'000 Unaudited	Current Year To-date 30/06/2015 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(352)	(1,476)
Rental of premises	(115)	(369)
Gain on disposal of property, plant & equipment	-	-
Depreciation	(107)	1,189
Interest expense	159	467
Imputed interest on receivables	378	378
Imputed interest on payables	(223)	(223)
Provision for and write off of inventories	N/A	N/A
Provision for impairment of receivables	3,549	3,549
Provision for impairment of property, plant & equipment	4,717	4,717
Provision for liquidated damages	25	25
(Gain) or loss on disposal of quoted or unquoted		
Investments or properties	N/A	N/A
Foreign exchange (gain)/loss	(361)	193
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 27 August 2015.

By Order of the Board

**Fajarbaru Builder Group Bhd (281645-U)**

Ooi Leng Chooi  
Finance Director

Kuala Lumpur  
27 August 2015