

**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 2015. These explanatory notes, attached to the condensed consolidated interim financial statements, 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 2015.

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 2015 except for the adoption of the following new and revised standards, amendments and interpretations that are effective for financial period from 1 July 2015 :

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 2015 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 2016 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2015	1,063,164	1,136,937
Repurchased during the quarter	-	-
Balance as at 31 March 2016	1,063,164	1,136,937

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 2015.

**A9 Segmental reporting**

The segmental information of the Group analysed by activities is as follows:-

Period ended 31.03.2016	Construction RM'000	Trading RM'000	Property development RM'000	Investment holding RM'000	Logistic RM'000	Logging and timber trading RM'000	Adjustment and Eliminations RM'000	Total RM'000
<b><u>Revenue</u></b>								
External Sales	222,399	4,479	-	-	-	92,977	-	319,855
Inter-segment sales	-	12,140	-	381	-	164	(12,685)	-
Total revenue	<u>222,399</u>	<u>16,619</u>	<u>-</u>	<u>381</u>	<u>-</u>	<u>93,141</u>	<u>(12,685)</u>	<u>319,855</u>
<b><u>Results</u></b>								
Profit/(Loss) from operation	(1,358)	(116)	(4,077)	(320)	(3)	51,291	519	45,936
Finance costs	(659)	(20)	(280)	-	-	(17)	-	(976)
Profit/(Loss) before tax	<u>(2,017)</u>	<u>(136)</u>	<u>(4,357)</u>	<u>(320)</u>	<u>(3)</u>	<u>51,274</u>	<u>519</u>	<u>44,960</u>
<b><u>Total assets</u></b>								
Segment assets/ Consolidated total assets	<u>382,756</u>	<u>29,735</u>	<u>179,109</u>	<u>229,794</u>	<u>465</u>	<u>122,321</u>	<u>(459,848)</u>	<u>484,332</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, except the following:-

The Company proposed to undertake a private placement of up to 10% of the issued and paid-up capital of the Company to third party investors to be identified later (“Proposed Private Placement”). Bursa Malaysia Securities Berhad had via its letter dated 3 February 2016 approve the listing and quotation of up to 47,683,179 new ordinary shares of RM0.50 each in the Company pursuant to the said Proposed Private Placement.

The first tranche of private placement comprising 32,800,000 ordinary shares of RM0.50 each at an issue price of RM0.5450 per share were allotted and issued on 26 April 2016. These shares were listed on 28 April 2016.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the balance shares of the Proposed Private Placement is expected to be completed by the third quarter of 2016.

## **A11 Changes in composition of the Group**

There were no changes in the composition of the Group.

## **A12 Capital commitments**

The outstanding commitments in respect of capital expenditure at reporting date not provided for in the financial statements are as follows :

<u>Property, Plant &amp; Equipment</u>	31 March 2016 RM'000
-Approved and contracted for	582

## **A13 Changes in contingent liabilities**

	The Group		The Company	
	As at 31.03.16 RM'000	As at 30.06.15 RM'000	As at 31.03.16 RM'000	As at 30.06.15 RM'000
Performance and tender bond granted to contract customers	77,807	82,987	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	77,593	48,892

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 31/03/2016 (RM'000)	Preceding Year Corresponding Quarter ended 31/03/2015 (RM'000)
Revenue	94,334	106,033
Consolidated Profit before tax	10,772	1,822
Consolidated Profit after tax	6,129	1,529

The Group recorded a lower revenue of RM94.3 million and a higher pre-tax profit of RM10.8 million in the current quarter ended 31 March 2016 as compared to a revenue of RM106.0 million and pre-tax profit of RM1.8 million reported in the preceding year corresponding quarter.

The lower revenue in the current quarter was mainly due to the lower construction activities on the completing projects. Despite of lower revenue, the Group recorded a higher pre-tax profit which was mainly contributed by the logging and timber trading segment in the current quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2016 is as follows:

#### Construction Segment

The construction segment recorded a lower revenue of RM65.4 million in the current quarter as compared to the preceding year corresponding quarter of RM74.9 million. The lower revenue in the current quarter was due to lower construction activities on the completing projects. The profitability was adversely affected by additional costs recognized upon project finalisation.

#### Trading Segment

The trading segment recorded a lower revenue of RM1.8 million in the current quarter as compared to the preceding year corresponding quarter of RM18.7 million was mainly due to less material being purchased 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 in future.

During the current quarter, this segment has yet to generate any revenue to the Group except for other income of RM62,700.

### 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 RM27.1 million in the current quarter compared to RM12.4 million in the preceding corresponding quarter ended 31 March 2015. This segment has just commenced its business activities in January 2015.

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 31/03/2016 (RM'000)	Preceding Quarter ended 31/12/2015 (RM'000)
Revenue	94,334	116,124
Consolidated Profit before tax	10,772	22,355
Consolidated Profit after tax	6,129	16,523

For the current quarter ended 31 March 2016, the Group registered a lower revenue and pre-tax profit of RM94.3 million and RM10.8 million respectively as compared to a revenue of RM116.1 million and a pre-tax profit of RM22.4 million in the preceding quarter ended 31 December 2015.

The decreased in revenue was due to lower activities in the construction segment during the current quarter under review as compared to the preceding quarter. The lower activities in the construction segment was due to most of the projects are at the ending stage. Meanwhile, the logging and timber trading segment also registered a lower revenue because of the long holiday in the month of February 2016 and lower pricing at the beginning of the year as compared to end of 2015.

The decreased in pre-tax profit of 51.8% for the Group in the current quarter was mainly due to the decreased in revenue contribution from the logging and timber trading segment. The profitability of the Construction segment was also adversely affected by additional costs recognised upon project finalisation.

### **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 that its maiden project, the GardenHill, Melbourne, Australia, has reached about 80% sales and construction works are on schedule for completion at the end of the year.

The Group's other projects in Puchong and Sentul are expected to obtain the approval of Developer License and Advertisement and Sales permit within 3<sup>rd</sup> quarter of 2016. These projects have received good response owing to its central location. As for its project in Melaka, it will be launched once the market situation in Melaka improves.

Another segment which has generated significant revenue to the Group is the logging and timber trading segment and it will continue to make momentous contribution to the Group's revenue.

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 31/03/2016 RM'000	3 months ended 31/03/2015 RM'000	9 months ended 31/03/2016 RM'000	9 months ended 31/03/2015 RM'000
Current period's provision	3,949	520	13,282	789
Under / (Over) provision for the prior years	695	(86)	695	(86)
	4,644	434	13,977	703
Deferred taxation	(1)	(142)	463	1,090
Under / (Over) provision for the prior years	-	-	-	(144)
	4,643	292	14,440	1,649

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 purchase or disposal of quoted securities in Malaysia during the financial quarter under review.

Investment in quoted shares as at 31 March 2016 were as follows :

**RM'000**

At cost 7,907

At market value 4,731

**B8 Status of corporate proposals announced**

Refer to Note A10 on the status of the corporate proposal announced during the financial period to date.

**B9 Borrowings**

The tenure of the Group borrowings classified as follows:-

	As at 31.03.2016 RM'000	As at 31.03.2015 RM'000
<b><u>Secured</u></b>		
Short Term	21,277	9,271
Long Term	55,495	37,703
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	<u>76,772</u>	<u>46,974</u>

The Group borrowings are all denominated in Ringgit Malaysia.

**B10 Off balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2016.

**B11 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.

**B12 Dividend**

No dividend has been declared for the third quarter ended 31 March 2016.

**B13 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 31/03/2016 RM'000	3 months Ended 31/03/2015 RM' 000	9 months Ended 31/03/2016 RM000	9 months Ended 31/03/2015 RM'000
Net profit attributable to owners of the Company	2,863	782	13,937	3,369
Weighted Average Number of shares at the end of the period ('000)	328,870	328,880	328,872	294,473
Weighted Average Number of shares of conversion of Warrants to shares ('000)	109,628	109,628	109,628	109,628
Adjusted number of ordinary shares in issue and issuable ('000)	438,498	438,508	438,501	404,101
Nominal value of share (RM)	0.50	0.50	0.50	0.50
<b>Basic earnings per share (sen)</b>	0.87	0.24	4.24	1.14
<b>Diluted earnings per share (sen)</b>	0.65	0.18	3.18	0.83

#### **B14 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 31/03/2016 RM'000	As at End of Preceding Financial Year 30/06/2015 RM'000
Total accumulated profit of the Company and it's subsidiaries		
- Realised	86,391	61,400
- Unrealised	(3,553)	(4,971)
	82,838	56,429
Less: Consolidation adjustments	(42,574)	(25,991)
Total group retained profit as per consolidated accounts	40,264	30,438

**B15 Profit before taxation**

	Current Year Quarter 31/03/2016 RM'000 Unaudited	Current Year To-date 31/03/2016 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(425)	(1,042)
Rental of premises	(64)	(757)
Depreciation	420	1,098
Interest expense	438	809
Foreign exchange (gain)/loss	792	(518)

**B16 Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 26 May 2016.

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

Ooi Leng Chooi  
Director

Kuala Lumpur  
26 May 2016