

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 30 June 2016 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2016	1,063,164	1,136,937
Repurchased during the quarter	2,000	1,232
Balance as at 30 June 2016	1,065,164	1,138,169

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 30.06.2016	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
<u>Revenue</u>								
External Sales	295,913	5,623	-	-	125	122,253	-	423,914
Inter-segment sales	-	12,663	-	491	-	164	(13,318)	-
Total revenue	<u>295,913</u>	<u>18,286</u>	<u>-</u>	<u>491</u>	<u>125</u>	<u>122,417</u>	<u>(13,318)</u>	<u>423,914</u>
<u>Results</u>								
Profit/(Loss) from operation	(7,846)	(219)	(4,973)	(2,203)	(2)	64,207	2,268	51,232
Finance costs	(840)	(21)	(456)	-	(3)	(23)	-	(1,343)
Profit/(Loss) before tax	<u>(8,686)</u>	<u>(240)</u>	<u>(5,429)</u>	<u>(2,203)</u>	<u>(5)</u>	<u>64,184</u>	<u>2,268</u>	<u>49,889</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>290,417</u>	<u>3,460</u>	<u>209,077</u>	<u>247,594</u>	<u>1,037</u>	<u>91,595</u>	<u>(306,594)</u>	<u>536,586</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 Private Placement was completed on 02 August 2016 and a total of 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.

A11 Changes in composition of the Group

There were no changes in the composition of the Group, except the following :

The company has on 26 May 2016 entered into a Sale & Purchase of Shares Agreement with an unrelated party to acquire 20,000 ordinary shares of RM1.00 each in Akokaya Sdn Bhd, representing 20% of the total issued and paid up capital in the said company. The acquisition is yet to be completed.

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 & Equipment</u>	30 June 2016
	RM'000
-Approved and contracted for	582

A13 Changes in contingent liabilities

	The Group		The Company	
	As at 30.06.16	As at 30.06.15	As at 30.06.16	As at 30.06.15
	RM'000	RM'000	RM'000	RM'000
Performance and tender bond granted to contract customers	104,546	82,987	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	188,254	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 30/06/2016 (RM'000)	Preceding Year Corresponding Quarter ended 30/06/2015 (RM'000)
Revenue	104,059	112,869
Consolidated Profit/(Loss) before tax	4,929	1,306
Consolidated Profit/(Loss) after tax	1,920	(2,297)

The Group recorded a lower revenue of RM104.1 million and a higher pre-tax profit of RM4.9 million in the current quarter ended 30 June 2016 as compared to a revenue of RM112.9 million and a pre-tax profit of RM1.3 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 30 June 2016 is as follows:

Construction Segment

The construction segment recorded a lower revenue of RM73.5 million in the current quarter as compared to the preceding year corresponding quarter of RM86.3 million. The lower revenue in the current quarter was due to lower construction activities on the completing projects.

Trading Segment

The trading segment recorded a lower revenue of RM1.1 million in the current quarter as compared to the preceding year corresponding quarter of RM1.4 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 in future.

During the current quarter, this segment has yet to generate any revenue to the Group except for other income of RM41,800.

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 RM29.3 million in the current quarter compared to RM25.2 million in the preceding corresponding quarter ended 30 June 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 30/06/2016 (RM'000)	Preceding Quarter ended 31/03/2016 (RM'000)
Revenue	104,059	94,334
Consolidated Profit/(Loss) before tax	4,929	10,772
Consolidated Profit/(Loss) after tax	1,920	6,129

For the current quarter ended 30 June 2016, the Group registered a higher revenue of RM104.1 million and a lower pre-tax profit of RM4.9 million as compared to a revenue of RM94.3 million and a pre-tax profit of RM10.8 million in the preceding quarter ended 31 March 2016.

The increased in revenue in the construction segment during the current quarter under review as compared to the preceding quarter was due to the recognition of revenue on the finalization of the completed projects. However, the lower pre-tax profit was because of the provisional of anticipating costs on the completing projects which are pending for clients' approval.

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 84% sales and construction works are on schedule for completion at the end of the year.

The Group's other projects in Sentul and Puchong are expected to obtain the approval of Developer License and Advertisement and Sales permit within 4th quarter of 2016 and 1st Quarter of 2017 respectively. 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	3 months ended	12 months ended	12 months ended
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Current period's provision	3,472	3,222	16,754	4,011
Under / (Over) provision for the prior years	-	-	695	(86)
	3,472	3,222	17,449	3,925
Deferred taxation	(463)	314	-	1,471
Under / (Over) provision for the prior years	-	-	-	(144)
	3,009	3,536	17,449	5,252

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 30 June 2016 were as follows :

RM'000

At cost 7,907

At market value 6,702

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 30.06.2016 RM'000	As at 30.06.2015 RM'000
<u>Secured</u>		
Short Term	26,939	16,487
Long Term	56,408	33,354
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	<u>83,347</u>	<u>49,841</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 30 June 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 fourth quarter ended 30 June 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 30/06/2016 RM'000	3 months Ended 30/06/2015 RM' 000	12 months Ended 30/06/2016 RM000	12 months Ended 30/06/2015 RM'000
Net profit attributable to owners of the Company	(2,316)	(5,961)	11,621	(2,592)
Weighted Average Number of shares at the end of the period ('000)	352,657	303,051	334,786	328,878
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)	462,285	412,679	444,414	438,506
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	(0.66)	(1.97)	3.47	(0.79)
Diluted earnings per share (sen)	(0.50)	(1.44)	2.61	(0.59)

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 30/06/2016 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	88,774	60,252
- Unrealised	(4,016)	(4,016)
	84,758	56,236
Less: Consolidation adjustments	(46,810)	(25,798)
Total group retained profit as per consolidated accounts	37,948	30,438

B15 Profit before taxation

	Current Year Quarter 30/06/2016 RM'000 Unaudited	Current Year To-date 30/06/2016 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(443)	(1,485)
Rental of premises	(83)	(840)
Loss on disposal of property, plant & equipment	13	13
Depreciation	427	1,526
Interest expense	367	1,343
Foreign exchange (gain)/loss	(79)	439

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 23 August 2016.

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

Ooi Leng Chooi
Director

Kuala Lumpur
23 August 2016