

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 2016. 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 2016.

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 2016.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2016 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

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 2016 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 September 2016 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2016	1,065,164	1,138,169
Repurchased during the quarter	-	-
Balance as at 30 September 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 2016.

A9 Segmental reporting

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

Period ended 30.09.2016	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	35,005	542	-	-	178	27,338	-	63,063
Inter-segment sales	1	26	-	60	-	-	(87)	-
Total revenue	<u>35,006</u>	<u>568</u>	<u>-</u>	<u>60</u>	<u>178</u>	<u>27,338</u>	<u>(87)</u>	<u>63,063</u>
<u>Results</u>								
Profit/(Loss) from operation	359	(169)	(1,630)	(282)	34	11,512	1,218	11,042
Finance costs	(128)	(3)	(66)	-	(4)	(7)	-	(208)
Share of results in associates	-	-	-	(20)	-	-	-	(20)
Profit/(Loss) before tax	<u>231</u>	<u>(172)</u>	<u>(1,696)</u>	<u>(302)</u>	<u>30</u>	<u>11,505</u>	<u>1,218</u>	<u>10,814</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>268,265</u>	<u>2,582</u>	<u>269,172</u>	<u>252,366</u>	<u>1,035</u>	<u>104,970</u>	<u>(327,127)</u>	<u>571,263</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 the following:

The company's wholly owned subsidiaries, Fajarbaru Properties Sdn Bhd ("FPSB") had on 28 October 2016 registered an associate company, BFB Project Pty Ltd ("BFB") in Australia. FPSB holds 200 ordinary shares of AUD1.00 each fully paid representing 44.44% of the total issued & paid up capital in BFB.

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 September 2016 RM'000
-Approved and contracted for	345

A13 Changes in contingent liabilities

	The Group		The Company	
	As at 30.09.16 RM'000	As at 30.06.16 RM'000	As at 30.09.16 RM'000	As at 30.06.16 RM'000
Performance and tender bond granted to contract customers	104,094	104,610	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	184,374	188,121

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 30/09/2016 (RM'000)	Preceding Year Corresponding Quarter ended 30/09/2015 (RM'000)
Revenue	63,063	109,397
Consolidated Profit before tax	10,814	11,833
Consolidated Profit after tax	7,929	7,868

The Group recorded a lower revenue of RM63.1 million as compared to a revenue of RM109.4 million in the preceding year corresponding quarter. As a result, the Group recorded a lower pre-tax profit of RM10.8 million as compared to a pre-tax profit of RM11.8 million recorded in the previous year corresponding quarter.

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

Construction Segment

The construction segment recorded a lower revenue of RM35.0 million in the current quarter as compared to the preceding year corresponding quarter of RM81.4 million. The lower revenue in the current quarter was due to lower construction activities on those completing projects and the newly awarded project was still at the preliminary stage.

Logging and Timber Trading Segment

The logging and timber trading segment has contributed a revenue of RM27.3 million in the current quarter as compared to a revenue of RM27.4 million in the previous year corresponding quarter. However, pre-tax profit decreased by 25% to RM11.5 million as compared with RM15.4 million recorded in the previous year corresponding quarter. These were mainly due to decrease in timber prices during the current quarter.

Trading Segment

The trading segment recorded a lower revenue of RM0.5 million in the current quarter as compared to the preceding year corresponding quarter of RM0.6 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 in future.

During the current quarter, this segment has yet to generate any revenue to the Group.

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.

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 30/09/2016 (RM'000)	Preceding Quarter ended 30/06/2016 (RM'000)
Revenue	63,063	104,059
Consolidated Profit before tax	10,814	4,929
Consolidated Profit after tax	7,929	1,920

For the current quarter ended 30 September 2016, the Group registered a lower revenue of RM63.1 million and a higher pre-tax profit of RM10.8 million as compared to a revenue of RM104.1 million and pre-tax profit of RM4.9 million in the preceding quarter ended 30 June 2016.

The decreased in revenue was mainly 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 while the newly awarded project was still at the preliminary stage.

Despite of lower revenue, the Group recorded a higher pre-tax profit in the current quarter due to the provision of additional costs on the completed projects in the preceding quarter.

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 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 application for Developer License and Advertisement and Sale permit for the Group's project in Sentul has been approved. The project is slated for launch this year end follow by the group's other project in Puchong. 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 30/09/2016 RM'000	3 months ended 30/09/2015 RM'000	3 months ended 30/09/2016 RM'000	3 months ended 30/09/2015 RM'000
Current period's provision	2,885	3,849	2,885	3,849
Under / (Over) provision for the prior years	-	-	-	-
	2,885	3,849	2,885	3,849
Deferred taxation	-	116	-	116
Under / (Over) provision for the prior years	-	-	-	-
	2,885	3,965	2,885	3,965

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 September 2016 were as follows :

	RM'000
At cost	7,907
At market value	5,125

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 30.09.2016 RM'000	As at 30.09.2015 RM'000
<u>Secured</u>		
Short Term		
Denominated in RM	23,899	24,674
Denominated in AUD (AUD22.96 million)	72,623	-
	<u>96,522</u>	<u>24,674</u>
Long Term		
Denominated in RM	12,366	32,688
	<u>12,366</u>	<u>32,688</u>
Total Borrowings	<u>108,888</u>	<u>57,362</u>

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 30 September 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

An interim single tier dividend of 2.5% be declared in respecting of the financial year ending 30 June 2017.

The interim dividend will be paid on 29 December 2016 to the shareholders whose names appear in the Record of Depositors of the Company on 8 December 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 30/09/2016 RM'000	3 months Ended 30/09/2015 RM' 000	3 months Ended 30/09/2016 RM000	3 months Ended 30/09/2015 RM'000
Net profit attributable to owners of the Company	4,389	2,776	4,389	2,776
Weighted Average Number of shares at the end of the period ('000)	361,668	328,875	361,668	328,875
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)	471,296	438,503	471,296	438,503
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	1.21	0.84	1.21	0.84
Diluted earnings per share (sen) *	1.21	0.84	1.21	0.84

* There is no dilution in the earnings per share as the average market value of the Company's ordinary shares during the financial quarter was lower than the exercise price of the outstanding warrants. Accordingly, there would be no conversion of these outstanding instruments for the purpose of calculating diluted earnings per share.

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 30/09/2016 RM'000	As at End of Preceding Financial Year 30/06/2016 RM'000
Total accumulated profit of the Company and it's subsidiaries		
- Realised	93,900	85,951
- Unrealised	(4,340)	(4,340)
Total share of retained loss from associates:		
- Realised	(20)	-
- Unrealised	-	-
	89,540	81,611
Less: Consolidation adjustments	(48,082)	(44,542)
Total group retained profit as per consolidated accounts	41,458	37,069

B15 Profit before taxation

	Current Year Quarter 30/09/2016 RM'000 Unaudited	Current Year To-date 30/09/2016 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(425)	(425)
Rental of premises	(2)	(2)
Depreciation	319	319
Interest expense	208	208
Foreign exchange (gain)/loss	1,219	1,219

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 24 November 2016.

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

Ooi Leng Chooi
Director

Kuala Lumpur
24 November 2016