

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 31 December 2016 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 September 2016	1,065,164	1,138,169
Repurchased during the quarter	5,000	2,859
Balance as at 31 December 2016	1,070,164	1,141,028

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

A7 Dividend Paid

An interim Single Tier Dividend of 2.5% amounting to RM4,520,777.94 for the year ending 30 June 2017 was paid on 29 December 2016.

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 31.12.2016	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	65,829	1,156	-	-	333	57,239	-	124,557
Inter-segment sales	493	230	-	120	-	-	(843)	-
Total revenue	<u>66,322</u>	<u>1,386</u>	<u>-</u>	<u>120</u>	<u>333</u>	<u>57,239</u>	<u>(843)</u>	<u>124,557</u>
<u>Results</u>								
Profit/(Loss) from operation	837	(330)	(3,067)	(2,564)	94	31,206	(3,747)	22,429
Finance costs	(168)	(4)	(1,208)	-	(8)	(15)	-	(1,403)
Share of results in associates	-	-	-	(21)	-	-	-	(21)
Profit/(Loss) before tax	<u>669</u>	<u>(334)</u>	<u>(4,275)</u>	<u>(2,585)</u>	<u>86</u>	<u>31,191</u>	<u>(3,747)</u>	<u>21,005</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>250,952</u>	<u>4,922</u>	<u>275,023</u>	<u>258,483</u>	<u>1,066</u>	<u>120,174</u>	<u>(346,047)</u>	<u>564,573</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 subsidiary, Fajarbaru Properties Sdn Bhd ("FPSB") had on 28 October 2016 subscribed shares in 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.

On 9 November 2016, BFB had subscribed for 50 shares of AUD\$1 each in 320 Queen Street Project Pty Ltd ("320-Q"), a company registered in Australia, representing 50% of the total issued and paid up capital of 320-Q.

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>	31 December 2016 RM'000
-Approved and contracted for	584

A13 Changes in contingent liabilities

	The Group		The Company	
	As at 31.12.16 RM'000	As at 30.06.16 RM'000	As at 31.12.16 RM'000	As at 30.06.16 RM'000
Performance and tender bond granted to contract customers	88,294	104,610	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	225,192	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 31/12/2016 (RM'000)	Preceding Year Corresponding Quarter ended 31/12/2015 (RM'000)
Revenue	61,494	116,124
Consolidated Profit before tax	10,191	22,355
Consolidated Profit after tax	6,247	16,523

The Group recorded a lower revenue of RM61.5 million as compared to a revenue of RM116.1 million in the preceding year corresponding quarter. As a result, the Group recorded a lower pre-tax profit of RM10.2 million as compared to a pre-tax profit of RM22.4 million recorded in the previous year corresponding quarter.

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

Construction Segment

The construction segment recorded a lower revenue of RM30.8 million in the current quarter as compared to the preceding year corresponding quarter of RM75.6 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 RM29.9 million in the current quarter as compared to a higher revenue of RM38.5 million in the previous year corresponding quarter. These were mainly due to decrease in timber prices during the current quarter as compared to the previous year corresponding quarter.

Trading Segment

The trading segment recorded a lower revenue of RM0.6 million in the current quarter as compared to the preceding year corresponding quarter of RM2.0 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.

The pre-tax profit during the current quarter under review is arrived after charging the provision of employee services expenses of RM1.80 million

B2 Variation of result against preceding quarter

	Current Quarter ended 31/12/2016 (RM'000)	Preceding Quarter ended 30/09/2016 (RM'000)
Revenue	61,494	63,063
Consolidated Profit before tax	10,191	10,814
Consolidated Profit after tax	6,247	7,929

For the current quarter ended 31 December 2016, the Group registered a lower revenue of RM61.5 million and a lower pre-tax profit of RM10.2 million as compared to a revenue of RM63.1 million and pre-tax profit of RM10.8 million in the preceding quarter ended 30 September 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.

The pre-tax profit during the current quarter under review is arrived after charging the provision of employee services expenses of RM1.8 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 hopeful of delivering 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, is now completed and preparations to hand over the units to the purchaser are in progress.

As for the Sentul project, signing of the Sale and Purchaser Agreements and piling works are in progress. This project has received good response owing to its central location. As for its projects in Puchong and Melaka, it will be launched once the market situation 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 31/12/2016 RM'000	3 months ended 31/12/2015 RM'000	6 months ended 31/12/2016 RM'000	6 months ended 31/12/2015 RM'000
Current period's provision	3,944	5,484	6,829	9,333
Under / (Over) provision for the prior years	-	-	-	-
	3,944	5,484	6,829	9,333
Deferred taxation	-	348	-	464
Under / (Over) provision for the prior years	-	-	-	-
	3,944	5,832	6,829	9,797

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 December 2016 were as follows :

	RM'000
At cost	7,907
At market value	5,519

B8 Status of corporate proposals announced

320 Queen Street Project Pty Ltd ("320-Q"), an associate of FBG, has been nominated by one of 320-Q's shareholders, Beulah Land International Pty Ltd ("BLI") on 16 November 2016, to acquire the property at Lot 1 on Title Plan 874263B being the whole of the land in Certificate of Title Volume 7007 Folio 387, Lot 1 on Title Plan 000644R being the whole of the land in Certificate of Title Volume 10170 Folio 137 and Lot 2 on Title Plan 000644R being the whole of the land in Certificate of Title Volume 10170 Folio 138 bearing address as 316-326 Queen Street, Melbourne, Victoria, Australia ("Land") from an unrelated party, The Celtic Club Incorporated ("CCI"), pursuant to the Contract of Sale of Real Estate entered between BLI and CCI ("Contract") for a total cash consideration of AUD\$25,600,000 (exclusive of 10% Australia GST) or equivalent to RM84,126,720 ("Purchase Consideration") ("Acquisition"). The exchange rate used was based on the rate published by Bank Negara Malaysia on 16 November 2016 at AUD\$1 : RM3.2862.

Barring any unforeseen circumstances and subject to fulfillment of all the Conditions Precedents as set out in the Contract, the Acquisition is expected to be completed by 20 June 2017.

B9 Borrowings

The tenure of the Group borrowings classified as follows:-

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
<u>Secured</u>		
Short Term		
Denominated in RM	32,547	21,735
Denominated in AUD (AUD28.58 million)	92,715	-
	<u>125,262</u>	<u>24,674</u>
Long Term		
Denominated in RM	11,517	46,094
	<u>11,517</u>	<u>46,094</u>
Total Borrowings	<u>136,779</u>	<u>70,768</u>

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 31 December 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 dividends were declared for the second quarter ended 31 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 and ESOS into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	3 months Ended 31/12/2016 RM'000	3 months Ended 31/12/2015 RM' 000	6 months Ended 31/12/2016 RM000	6 months Ended 31/12/2015 RM'000
Net profit attributable to owners of the Company	2,181	8,299	6,570	11,075
Weighted Average Number of shares at the end of the period ('000)	361,665	328,872	361,666	328,873
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	130,338	109,628	130,338	109,628
Adjusted number of ordinary shares in issue and issuable ('000)	492,003	438,500	492,005	438,501
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	0.60	2.52	1.82	3.37
Diluted earnings per share (sen) *	0.60	1.89	1.82	2.53

* 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 and ESOS. 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 31/12/2016 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	93,960	85,951
- Unrealised	(2,673)	(4,340)
Total share of retained loss from associates:		
- Realised	(21)	-
- Unrealised	-	-
	91,266	81,611
Less: Consolidation adjustments	(52,148)	(44,542)
Total group retained profit as per consolidated accounts	39,118	37,069

B15 Profit before taxation

	Current Year Quarter 31/12/2016 RM'000 Unaudited	Current Year To-date 31/12/2016 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(359)	(784)
Rental of premises	(71)	(77)
Depreciation	372	691
Interest expense	1,194	1,403
Employee services expenses	1,795	1,795
Writeback of impairment loss in trade receivables	(2,000)	(2,000)
Foreign exchange (gain)/loss	695	1,914

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 23 February 2017.

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

Ooi Leng Chooi
Director

Kuala Lumpur
23 February 2017