

**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 other than the exercise of Employee's Share Option Scheme (ESOS) of 430,000 shares.

The details of shares held as treasury shares for the period ended 31 March 2017 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2016	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 31 March 2017	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 31.03.2017	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	96,287	1,446	138,025	-	516	92,198	-	328,472
Inter-segment sales	-	174	-	249	-	-	(5,989)	(5,565)
Total revenue	<u>96,287</u>	<u>1,620</u>	<u>138,025</u>	<u>249</u>	<u>516</u>	<u>92,198</u>	<u>(5,989)</u>	<u>322,906</u>
<b><u>Results</u></b>								
Profit/(Loss) from operation	(1,202)	(499)	39,604	438	86	55,373	(12,950)	80,850
Finance costs	(261)	(4)	(2,127)	(0)	(13)	(23)	-	(2,429)
Share of results in associates	-	-	-	(21)	-	-	-	(21)
Profit/(Loss) before tax	<u>(1,463)</u>	<u>(503)</u>	<u>37,476</u>	<u>417</u>	<u>73</u>	<u>55,350</u>	<u>(12,950)</u>	<u>78,400</u>
<b><u>Total assets</u></b>								
Segment assets/ Consolidated total assets	<u>253,749</u>	<u>4,210</u>	<u>247,068</u>	<u>263,528</u>	<u>1,082</u>	<u>116,341</u>	<u>(338,961)</u>	<u>547,017</u>

#### **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 and paid up capital of BFB.

On 9 November 2016, BFB had subscribed for 50 shares of AUD1.00 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 &amp; Equipment</u>	31 March 2017 RM'000
Approved and contracted for	
- Denominated in RM	20,773
- Denominated in CNY (CNY50.92million)	31,917
<b>Total</b>	<b><u>52,690</u></b>

#### **A13 Changes in contingent liabilities**

	The Group		The Company	
	As at 31.03.17 RM'000	As at 30.06.16 RM'000	As at 31.03.17 RM'000	As at 30.06.16 RM'000
Performance and tender bond granted to contract customers	78,220	104,610	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	141,027	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 31/03/2017 (RM'000)	Preceding Year Corresponding Quarter ended 31/03/2016 (RM'000)
Revenue	198,896	94,334
Consolidated Profit before tax	57,395	10,772
Consolidated Profit after tax	44,783	6,129

The Group recorded a higher revenue of RM198.9 million as compared to a revenue of RM94.3 million in the preceding year corresponding quarter. As a result, the Group recorded a higher pre-tax profit of RM57.4 million as compared to a pre-tax profit of RM10.8 million recorded in the previous year corresponding quarter. The increase in both revenue and pre-tax profit is mainly derived from the revenue generated by the property development segment.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2017 is as follows:

#### Construction Segment

The construction segment recorded a lower revenue of RM25.5 million in the current quarter as compared to the preceding year corresponding quarter of RM65.4 million. The lower revenue in the current quarter was due to lower construction activities on those completing projects and the newly awarded projects are still in the preliminary stage.

#### Logging and Timber Trading Segment

The logging and timber trading segment has contributed a higher revenue of RM34.9 million in the current quarter as compared to the preceding year corresponding quarter of RM27.1million. These were mainly due to increase in timber prices and demand during the current quarter as compared to the previous year corresponding quarter.

#### Property Development Segment

In the property development segment, the Group has completed its maiden project, the GardenHill, Melbourne, Australia and recognized a revenue of RM138.0 million, represents approximately 57.7% of the Gross Development Value (“GDV”) of the project, in the current quarter.

The remaining GDV will be recognized upon settlement by the purchasers.

#### Trading Segment

The trading segment recorded a lower revenue of RM0.2 million in the current quarter as compared to the preceding year corresponding quarter of RM1.8 million. This segment is mainly trading of building materials consumed by the Group’s appointed sub-contractors for its Construction Segment.

### 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.

## **B2 Variation of result against preceding quarter**

	Current Quarter ended 31/03/2017 (RM'000)	Preceding Quarter ended 31/12/2016 (RM'000)
Revenue	198,896	61,494
Consolidated Profit before tax	57,395	10,191
Consolidated Profit after tax	44,783	6,247

For the current quarter ended 31 March 2017, the Group registered a higher revenue of RM198.9 million and a higher pre-tax profit of RM57.5 million as compared to a revenue of RM61.5 million and pre-tax profit of RM10.2 million in the preceding quarter ended 31 December 2016.

The higher revenue and pre-tax profit were mainly contributed by recognition of revenue and profit from the Group's maiden project, the GardenHill, Melbourne, Australia.

## **B3 Current year prospects**

Moving forward, the Group expects the construction business to remain challenging. According to the Construction Industry Development Board (CIDB), the Malaysian construction industry is expected to grow by 8% in volume to RM170 billion this year, underpinned by ongoing mega infrastructure projects. In 2016, the construction sector grew by 7.4% to RM166.4 billion, up 8.2% from RM140 billion in 2015. With the spillover of major projects announced, the Group believes that the project pipeline and sentiments ahead will be more positive in the coming quarters, and the Group is poised to participate in any of these construction projects. The Group will continue to bid for jobs that have promising and exciting growth potential in order to replenish its order book and to enhance its future earnings.

Meanwhile, the Property Development division is expected to bring more contribution to the Group in 2017 as the Group's maiden project, GardenHill in Melbourne, Australia, has been handed over to the purchasers. Additionally, in April, the Group has launched its second project Paragon, Melbourne. The Paragon project, with its prime location in the heart of the Melbourne Central Business District (CBD) has received overwhelming response from the public. Construction costs, methodologies and phasing are undergoing review and improvements have been planned to ensure that the products are delivered as committed and within optimal costs.

On the local front, the Group's project in Kuala Lumpur, Rica Residence Sentul has started construction. Response from the public is positive despite the current economic situation. The Group has adopted robust marketing efforts through improved products, widened sales networks to ensure that all potential markets are tapped into, as well as optimising opportunities for growth. This project is expected to be officially launched in the next quarter. As for its projects in Puchong and Malacca, these will be launched upon improvement of the market situation. The Group will continue to strive for excellence with an emphasis on delivering excellent customer services. The Group believes that there will still be a demand for properties in prime locations with accessibility to good amenities, at attractive pricing.

Another segment which has generated significant revenue to the Group is the logging and timber trading segment. This segment will continue to generate significant contribution to the Group's revenue, on the back of stable average prices of timber products.

The Group will continue to explore more business opportunities and is committed to continue capitalising its strengths to generate sustainable revenue from its existing or new businesses.

**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 31/03/2017 RM'000	3 months ended 31/03/2016 RM'000	9 months ended 31/03/2017 RM'000	9 months ended 31/03/2016 RM'000
Current period's provision	12,626	3,949	19,455	13,282
Under / (Over) provision for the prior years	(14)	695	(14)	695
	12,612	4,644	19,441	13,977
Deferred taxation	-	(1)	-	463
Under / (Over) provision for the prior years	-	-	-	-
	12,612	4,643	19,441	14,440

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 2017 were as follows :

	<b>RM'000</b>
At cost	7,907
At market value	5,913

**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 AUD25,600,000 (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 AUD1.00 : 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 31.03.2017 RM'000	As at 31.03.2016 RM'000
<b><u>Secured</u></b>		
Short Term	37,710	21,277
Long Term	10,615	55,495
Total Borrowings	<u><u>48,325</u></u>	<u><u>76,772</u></u>

**B10 Off balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2017.

**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 third quarter ended 31 March 2017.

**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 issue 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 31/03/2017 RM'000	3 months Ended 31/03/2016 RM' 000	9 months Ended 31/03/2017 RM000	9 months Ended 31/03/2016 RM'000
Net profit attributable to owners of the Company	22,199	2,863	28,769	13,937
Weighted Average Number of shares at the end of the period ('000)	361,706	328,870	361,679	328,872
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	129,908	109,628	129,908	109,628
Adjusted number of ordinary shares in issue and issuable ('000)	491,614	438,498	491,588	438,501
Nominal value of share (RM)	0.50	0.50	0.50	0.50
<b>Basic earnings per share (sen)</b>	6.14	0.87	7.95	4.24
<b>Diluted earnings per share (sen)</b>	4.52	0.65	5.85	3.18



**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 31/03/2017 RM'000	As at End of Preceding Financial Year 30/06/2016 RM'000
Total retained earnings of the Company and it's subsidiaries		
- Realised	137,031	85,951
- Unrealised	(960)	(4,340)
Total share of accumulated loss from associates:		
- Realised	(21)	-
- Unrealised	-	-
	136,050	81,611
Less: Consolidation adjustments	(74,733)	(44,542)
Total group retained profits as per consolidated accounts	61,317	37,069

**B15 Profit before taxation**

	Current Year Quarter 31/03/2017 RM'000 Unaudited	Current Year To-date 31/03/2017 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(587)	(1,371)
Rental of premises	(94)	(77)
Depreciation	385	1,077
Interest expense	1,029	2,429
Employee services expenses	-	1,795
Writeback of impairment loss in trade receivables	-	(2,000)
Unrealised foreign exchange (gain)/loss	(1,658)	(3,572)

**B16 Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 30 May 2017.

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

Dato' Ir Low Keng Kok  
Chairman

Kuala Lumpur  
30 May 2017