

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 3,983,000 shares.

The details of shares held as treasury shares for the period ended 30 June 2017 are as follows:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2017	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 30 June 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 ended 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 30.06.17	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	120,216	4,776	202,750	-	730	124,371	477	453,320
Inter-segment sales	10,247	745	-	1,450	-	-	(12,442)	-
Total revenue	<u>130,463</u>	<u>5,521</u>	<u>202,750</u>	<u>1,450</u>	<u>730</u>	<u>124,371</u>	<u>(11,965)</u>	<u>453,320</u>
<u>Results</u>								
Profit/(Loss) from operation	(946)	(572)	56,166	12,324	55	79,984	(35,203)	111,808
Finance costs	(608)	(5)	(3,453)	(429)	(28)	(30)	-	(4,554)
Share of results in associates	-	-	-	(21)	-	-	-	(21)
Profit/(Loss) before tax	<u>(1,554)</u>	<u>(578)</u>	<u>52,713</u>	<u>11,875</u>	<u>27</u>	<u>79,954</u>	<u>(35,203)</u>	<u>107,233</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>239,744</u>	<u>6,220</u>	<u>193,735</u>	<u>134,815</u>	<u>505</u>	<u>78,267</u>	<u>(138,995)</u>	<u>514,291</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 & Equipment</u>	30 June 2017
	RM'000
Approved and contracted for	
- Denominated in RM	9,013
- Denominated in CNY (CNY33.21million)	21,072
Total	<u>30,085</u>

A13 Changes in contingent liabilities

	The Group		The Company	
	As at 30.06.17	As at 30.06.16	As at 30.06.17	As at 30.06.16
	RM'000	RM'000	RM'000	RM'000
Performance and tender bond granted to contract customers	50,353	104,610	-	-
Corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	-	-	123,908	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 30/06/2017 (RM'000)	Preceding Year Corresponding Quarter ended 30/06/2016 (RM'000)
Revenue	129,867	104,059
Consolidated Profit before tax	28,833	4,050
Consolidated Profit after tax	20,680	1,041

The Group recorded a higher revenue of RM129.9 million as compared to a revenue of RM104.1 million in the preceding year corresponding quarter. As a result, the Group recorded a higher pre-tax profit of RM28.8 million as compared to a pre-tax profit of RM4.1 million recorded in the previous year corresponding quarter. The increase in both revenue and pre-tax profit was mainly derived from the property development and logging and timber trading segments.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 June 2017 is as follows:

Construction Segment

The construction segment recorded a lower revenue of RM28.9 million in the current quarter as compared to the preceding year corresponding quarter of RM73.5 million. The lower revenue in the current quarter was due to lower construction activities as the newly awarded projects are at their initial stages of execution.

Logging and Timber Trading Segment

The logging and timber trading segment has contributed a higher revenue of RM32.2 million in the current quarter as compared to the preceding year corresponding quarter of RM29.3 million. 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 further recognized a revenue of RM55.0 million from its Australia project, the GardenHill, during the current quarter.

The Group has successfully launched its maiden property development project in Malaysia and has started to recognize the revenue of RM9.7 million during the current quarter.

Trading Segment

The trading segment recorded a higher revenue of RM3.4 million in the current quarter as compared to the preceding year corresponding quarter of RM1.1 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 30/06/2017 (RM'000)	Preceding Quarter ended 31/03/2017 (RM'000)
Revenue	129,867	198,896
Consolidated Profit before tax	28,833	57,395
Consolidated Profit after tax	20,680	44,783

For the current quarter ended 30 June 2017, the Group registered a lower revenue of RM129.9 million and pre-tax profit of RM28.8 million as compared to a revenue of RM198.9 million and pre-tax profit of RM57.4 million in the preceding quarter ended 31 March 2017.

The lower revenue and pre-tax profit in the current quarter were mainly due to lower revenue (approximately 23.8%) of the Gross Development Value (“GDV”) being recognized from the development project of GardenHill at Melbourne, Australia, as substantial revenue (approximately 57.7%) of the GDV has been recognized in the preceding quarter.

B3 Current year prospects

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.

Moving forward, the Property Development segment is expected to bring more contribution to the Group. The Group’s maiden project, Rica Residence Sentul, a 39-storey serviced apartment project with a GDV of RM280 million is located in Jalan Kovil Hilir, Sentul, Kuala Lumpur. The project is within walking distance to the KTM Sentul Station and Sentul West Station of the future Mass Rapid Transit Line 2 linking Sungai Buloh and Putrajaya. In view of the strategic location, the response from the public is encouraging and 70% of the units have been taken up as of to-date. 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 has been officially launched on 3 August 2017. 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.

On the overseas development, the Group has launched its second project called Paragon, Melbourne. The Paragon, with its prime location in the heart of the Melbourne Central Business District (“CBD”) has received overwhelming response from the public, achieving 85% take up rate as of to-date.

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 30/06/2017 RM'000	3 months ended 30/06/2016 RM'000	12 months ended 30/06/2017 RM'000	12 months ended 30/06/2016 RM'000
Current period's provision	8,294	3,472	27,750	16,754
Under / (Over) provision for the prior years	-	-	(14)	695
Deferred taxation	8,294	3,472	27,736	17,449
Under / (Over) provision for the prior years	(142)	(463)	(142)	-
	-	-	-	-
	8,152	3,009	27,594	17,449

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 and higher tax rate in Australia.

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 2017 were as follows :

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

B8 Status of corporate proposals announced

1. 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 31 August 2017.

2. The Company had on 4 August 2017 announced its intention to seek shareholders' approval for the proposed Provision of Financial Assistance to 320-Q for a total amount of up to RM134,114,000.00 in the form of banking facilities (Corporate Guarantee/ Undertaking / Indemnity) and loan to meet its working capital and capital expenditure requirements. An Extraordinary General Meeting will be held on 30 August 2017.

B9 Borrowings

The tenure of the Group borrowings classified as follows:-

	As at 30.06.2017 RM'000	As at 30.06.2016 RM'000
<u>Secured</u>		
Short Term	20,160	26,939
Long Term	31,857	56,408
Total Borrowings	<u><u>52,017</u></u>	<u><u>83,347</u></u>

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 30 June 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 fourth quarter ended 30 June 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 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 30/06/2017 RM'000	3 months Ended 30/06/2016 RM' 000	12 months Ended 30/06/2017 RM000	12 months Ended 30/06/2016 RM'000
Net profit attributable to owners of the Company	10,022	(3,195)	38,791	10,742
Weighted Average Number of shares at the end of the period ('000)	363,607	352,657	362,160	334,786
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	125,925	109,628	125,925	109,628
Adjusted number of ordinary shares in issue and issuable ('000)	489,532	462,285	488,085	444,414
Nominal value of share (RM)	0.50	0.50	0.50	0.50
Basic earnings per share (sen)	2.76	(0.91)	10.71	3.21
Diluted earnings per share (sen)	2.05	(0.91)	7.95	3.21

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 30/06/2017 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	154,541	85,951
- Unrealised	2,210	(4,340)
Total share of accumulated loss from associates:		
- Realised	(21)	-
- Unrealised	-	-
	156,730	81,611
Less: Consolidation adjustments	(85,391)	(44,542)
Total group retained profits as per consolidated accounts	71,339	37,069

B15 Profit before taxation

	Current Year Quarter 30/06/2017 RM'000 Unaudited	Current Year To-date 30/06/2017 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(500)	(1,871)
Rental of premises	(52)	(222)
(Gain)/Loss on disposal of property, plant & equipment	(28)	(1,511)
Depreciation	373	1,450
Interest expense	981	3,307
Employee services expenses	-	1,795
Imputed interest on receivables/payables	108	108
Impairment gain on receivables	444	444
Writeback of impairment loss in trade receivables	-	(2,000)
Loss on hedging	408	1,613
Gain on foreign currency exchange rate	(974)	(1,016)
Unrealised foreign exchange (gain)/loss	1,426	(2,210)
N/A – Not Applicable		

B16 **Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 24 August 2017.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
24 August 2017