

**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 2017. 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 2017.

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 2017.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 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 2017 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 1,495,000 shares.

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

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2017	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 30 September 2017	1,070,164	1,141,028

The shares purchased are being held as treasury shares in accordance with Section 127 (16) of the Companies Act, 2016.

**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 2017.

**A9 Segmental reporting**

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

3 months ended 30.09.17	Construction RM'000	Logging and timber trading RM'000	Property development RM'000	Trading RM'000	Logistic RM'000	Investment holding RM'000	Adjustment and Eliminations RM'000	Total RM'000
<b><u>Revenue</u></b>								
External Sales	45,917	36,988	28,242	3,710	224	-	2,167	117,248
Inter-segment sales	4,491	-	-	2,132	-	30,856	(37,479)	-
Total revenue	<u>50,408</u>	<u>36,988</u>	<u>28,242</u>	<u>5,842</u>	<u>224</u>	<u>30,856</u>	<u>(35,312)</u>	<u>117,248</u>
<b><u>Results</u></b>								
Profit/(Loss) from operation	(1,360)	33,693	865	(2)	17	29,894	(45,913)	17,194
Finance costs	(620)	(8)	-	(20)	(6)	-	-	(654)
Share of results in associates	-	40	-	-	-	-	-	40
Profit/(Loss) before tax	<u>(1,980)</u>	<u>33,725</u>	<u>865</u>	<u>(22)</u>	<u>11</u>	<u>29,894</u>	<u>(45,913)</u>	<u>16,580</u>
<b><u>Total assets</u></b>								
Segment assets/ Consolidated total assets	<u>309,193</u>	<u>111,743</u>	<u>164,312</u>	<u>11,805</u>	<u>904</u>	<u>284,316</u>	<u>(351,511)</u>	<u>530,762</u>

## A9 Segmental reporting (cont'd)

3 months ended 30.09.16	Construction RM'000	Logging and timber trading RM'000	Property development RM'000	Trading RM'000	Logistic RM'000	Investment holding RM'000	Adjustment and Eliminations RM'000	Total RM'000
<b>Revenue</b>								
External Sales	35,005	27,338	-	542	178	-	-	63,063
Inter-segment sales	1	-	-	26	-	60	(87)	-
Total revenue	35,006	27,338	-	568	178	60	(87)	63,063
<b>Results</b>								
Profit/(Loss) from operation	359	11,512	(1,630)	(169)	34	(282)	1,218	11,042
Finance costs	(128)	(7)	(66)	(3)	(4)	-	-	(208)
Share of results in associates	-	(20)	-	-	-	-	-	(20)
Profit/(Loss) before tax	231	11,485	(1,696)	(172)	30	(282)	1,218	10,814
<b>Total assets</b>								
Segment assets/ Consolidated total assets	268,265	104,970	269,172	2,582	1,035	252,366	(327,127)	571,263

## 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 during the financial quarter under review.

## 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>	30 September 2017 RM'000
Approved and contracted for - Denominated in RM	934

## A13 Changes in contingent liabilities

	The Group		The Company	
	As at 30.09.17 RM'000	As at 30.06.17 RM'000	As at 30.09.17 RM'000	As at 30.06.17 RM'000
Performance and tender bond granted to contract customers	71,464	70,515	-	-

## Additional information required by the Listing Requirements of Bursa Malaysia Securities Berhad

### B1 Review of performance

	Individual Period (1st quarter)			Cumulative Period		
	Current Year	Preceding Year	Changes	Current Year	Preceding Year	Changes
	Quarter 30/09/2017 (RM'000)	Corresponding Quarter 30/09/2016 (RM'000)	(%)	To-date 30/09/2017 (RM'000)	Corresponding Period 30/09/2016 (RM'000)	(%)
Revenue	117,248	63,063	86	117,248	63,063	86
Profit from operation	17,194	11,042	56	17,194	11,042	56
Profit before interest and tax	17,234	11,022	56	17,234	11,022	56
Profit before tax	16,580	10,814	53	16,580	10,814	53
Profit after tax	11,993	7,929	51	11,993	7,929	51
Profit attributable to Owners of the Company	5,078	4,389	16	5,078	4,389	16

The Group recorded a higher revenue of RM117.2 million as compared to a revenue of RM63.1 million in the preceding year corresponding quarter. As a result, the Group recorded a higher pre-tax profit of RM16.6 million as compared to a pre-tax profit of RM10.8 million recorded in the preceding year corresponding quarter. The increase in both revenue and pre-tax profit were 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 September 2017 are as follow:

#### Construction Segment

This segment recorded a revenue of RM45.9 million and a pre-tax loss of RM2.0 million as compared to a revenue of RM35.0 million and a pre-tax profit of RM0.2 million in the preceding year corresponding quarter. The higher revenue in the current quarter was due to higher construction activities during the current quarter as compared to the preceding year corresponding quarter. However, the pre-tax loss in the current quarter was mainly due to higher construction cost.

#### Logging and Timber Trading Segment

This segment recorded a higher revenue and pre-tax profit of RM37.0 million and RM33.7 million respectively as compared to RM27.3 million and RM11.5 million in the preceding year corresponding quarter. Included in the pre-tax profit during the current quarter was the dividend received from its subsidiary company of RM16.5 million.

The increased in revenue and pre-tax profit were mainly due to increase in demand during the current quarter as compared to the preceding year corresponding quarter.

### Property Development Segment

This segment recorded a revenue and pre-tax profit of RM28.2 million and RM0.9 million respectively in the current quarter under review. The increase of revenue was mainly contributed by the Australia project, the GardenHill, of RM21.5 million. As for the preceding year corresponding quarter, no revenue being recognised from this segment.

The profit from this segment was affected by the sales and marketing expenditures of RM6.8 million.

### Trading and Logistics Segments

The Trading and Logistics segments recorded a total revenue and pre-tax loss of RM3.9 million and RM0.011 million respectively as compared to RM0.7 million and RM0.142 million in the preceding year corresponding quarter. The Trading segment is mainly trading of building materials consumed by the Group's appointed sub-contractors for its Construction segment, while the Logistics segment is mainly provide Logistics services to the saw millers whom purchase logs from our Logging and Timber Trading 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. The pre-tax profit of RM29.9 million recorded in the current quarter was the dividend received from its subsidiary companies.

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

	<b>Current Year Quarter 30/09/2017 (RM'000)</b>	<b>Immediate Preceding Quarter 30/06/2017 (RM'000)</b>	<b>Changes (%)</b>
Revenue	117,248	129,867	-10
Profit from operation	17,194	30,958	-44
Profit before interest and tax	17,234	30,958	-44
Profit before tax	16,580	28,833	-42
Profit after tax	11,993	20,680	-42
Profit attributable to Owners of the Company	5,078	10,022	-49

For the current quarter ended 30 September 2017, the Group registered a lower revenue of RM117.2 million and pre-tax profit of RM16.6 million as compared to a revenue of RM129.9 million and pre-tax profit of RM28.8 million in the preceding quarter ended 30 June 2017.

The lower revenue in the current quarter were mainly due to lower revenue (approximately 9%) of the Gross Development Value ("GDV") being recognized from the development project of GardenHill at Melbourne, Australia, as substantial revenue (approximately 81.2%) of the GDV has been recognized in the previous year.

### **B3** **Current year prospects**

The Malaysian economy registered a robust growth of 5.7% in the first half of 2017, driven by domestic demand and export growth. The global economy is also expected to improve mildly in 2017 and 2018, supported by an increase in trade, industrial production and manufacturing, accompanied by firming commodity prices.

Our construction business will continue to expand through financial year 2018, driven by our current order book of approximately RM500.0 million (including RM120.0 million of internal project). We believe that we are in good position to be awarded some of the rail construction jobs, after having completed various rail-related projects, such as Double-Track (Seremban-Gemas), LRT stations and Depot. In addition, our Group has invested into the latest trackwork machineries which are capable of constructing and maintaining railway tracks and such services are only provided by a limited number of companies.

On the property development landscape, the Malaysian property market is expected to remain challenging with a modest domestic economic growth and stringent financial lending conditions. Going forward, the Group will focus on promoting our Rica Residence @ Sentul and Paragon – Australia’s first high-rise indoor forest development in Melbourne. In view of the strategic location, the response from the public is encouraging and both projects achieving 70 % and 85% take up rate respectively. The Group plans to launch its Rica Residence @ Kinrara by 2018, a 5 blocks condominium comprising of between 14 storeys to 32 storeys each, accessible by LRT, LDP and Kesas highway.

The demand for residential property in urban and strategically located areas will be sustained, in light of the upcoming developments of public transportation systems as well as the construction of new highways. The Group will continue to focus on developing residential properties for the middle and upper-middle income market in urban and well-connected areas.

For timber industry, backed by the positive outlook in global production, increased consumer confidence and improved economies in Asia, the prospects is indeed bright. With the stable average prices of timber products, the logging and timber trading segment will continue to generate significant revenue to the Group.

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 30/09/2017 RM'000	3 months ended 30/09/2016 RM'000	3 months ended 30/09/2017 RM'000	3 months ended 30/09/2016 RM'000
Current period's provision	4,603	2,885	4,603	2,885
Under / (Over) provision for the prior years	-	-	-	-
	4,603	2,885	4,603	2,885
Deferred taxation	(16)	-	(16)	-
Under / (Over) provision for the prior years	-	-	-	-
	4,587	2,885	4,587	2,885

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 September 2017 were as follows :

**RM'000**

At cost 7,907

At market value 4,731

**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. The acquisition was completed on 30 August 2017.

- The Company had at the Extraordinary General Meeting held on 30 August 2017, obtained its’ shareholders’ approval on 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.

## **B9 Borrowings**

The tenure of the Group borrowings classified as follows:-

	30 September 2017		30 September 2016	
	Short term	Long term	Short term	Long term
<b><u>Secured</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term loan	14,500	53,382	96,270	10,921
Hire purchase	732	2,221	252	1,445
Invoice Finance	3,320	-	-	-
Bankers Acceptance	4,948	-	-	-
	<u>23,500</u>	<u>55,603</u>	<u>96,522</u>	<u>12,366</u>

## **B10 Off balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 30 September 2017.

## **B11 Trade Receivables**

The age analysis of trade receivables is as follow :

	<b>Current Quarter Ended 30/09/2017 RM'000</b>
Not past due	60,941
Past due:	
- less than 3 months	7,251
- 3 to 6 months	-
- over 6 months	11,270
- more than 1 year	19,407
	<u><b>98,869</b></u>

The Group is satisfied that recovery of the amount is possible, therefore there is no impairment for past due trade receivables.



**B12 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.

**B13 Dividend**

An interim single tier dividend of 1.5 sen per ordinary share be declared in respecting of the financial year ending 30 June 2018.

The interim dividend will be paid on 28 December 2017 to the shareholders whose name appear in the Record of Depositors of the Company on 13 December 2017.

**B14 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 30/09/2017 RM'000	3 months Ended 30/09/2016 RM' 000	3 months Ended 30/09/2017 RM000	3 months Ended 30/09/2016 RM'000
Net profit attributable to Owners of the Company	5,078	4,389	5,078	4,389
Weighted Average Number of shares at the end of the period ('000)	366,829	361,668	366,829	361,668
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	124,430	109,628	124,430	109,628
Adjusted number of ordinary shares in issue and issuable ('000)	491,259	471,296	491,259	471,296
<b>Basic earnings per share (sen)</b>	1.38	1.21	1.38	1.21
<b>Diluted earnings per share (sen)</b>	1.03	1.21	1.03	1.21

**B15 Realised and Unrealised Profits**

The breakdown of retained 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 30/09/2017 RM'000	As at End of Preceding Financial Year 30/06/2017 RM'000
Total retained profits of the Company and it's subsidiaries		
- Realised	160,119	148,143
- Unrealised	(2,271)	(2,289)
	157,848	145,854
Less: Consolidation adjustments	(81,430)	(74,514)
Total Group retained profits as per consolidated accounts	76,418	71,340

**B16 Profit before taxation**

	Current Year Quarter 30/09/2017 RM'000 Unaudited	Current Year To-date 30/09/2017 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(292)	(292)
Rental of premises	(52)	(52)
Depreciation	1,030	1,030
Interest expense	690	690
(Gain)/Loss on derivate financial instruments	(73)	(73)
(Gain)/Loss on foreign exchange	(696)	(696)
Unrealised (gain)/loss on foreign exchange	594	594

**B17 Authorisation for issue**

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

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

Dato' Ir Low Keng Kok  
Chairman

Kuala Lumpur  
23 November 2017