

Notes to the Interim Financial Report

A1 Basis of preparation

The unaudited interim financial report has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The unaudited interim financial report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 30 June 2017.

The accounting policies and method of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2017. The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 July 2017 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Annual Improvements to MFRS 12 ‘Disclosures of Interests in Other Entities’ (Effective from 1 January 2017)
- Amendments to MFRS107 ‘Statement of Cash Flows – Disclosure Initiative’ (effective from 1 January 2017)
- Amendments to MFRS112 ‘Income Taxes- Recognition of Deferred Tax Assets for Unrealised Losses’ (effective from 1 January 2017)

Standards, amendments to published standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2018:

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments
- MFRS128 Investments in Associates and Joint Ventures
- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’

Effective for financial periods beginning on or after 1 January 2019:

- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’
- MFRS 16 Leases

Management is currently assessing the impact arising from the initial application of these standards on the financial statements of the Group.

A2 Changes of accounting policies

The significant accounting policies adopted in preparing these consolidated condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2017.

Malaysian Accounting Standards Board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called “Transitioning Entities”).

On 8 September 2015, the Malaysian Accounting Standards Board (‘MASB’) announced that the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities (TEs) to apply the Malaysian Financial Reporting Standards (MFRSs) will also be deferred to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined by the MASB, the Group has elected to continue to apply the FRS Framework up until its financial year ending 30 June 2018 and will adopt the MFRS Framework that were issued by the MASB for the financial year ending 30 June 2019.

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 Significant related party transactions

There were no significant related party transactions during the financial period under review.

A7 Movement in 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 3,987,000 shares.

The details of shares held as treasury shares for the period ended 31 December 2017 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 September 2017	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 31 December 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.

A8 Dividend paid

An interim single tier dividend of 1.5 sen per ordinary share amounting to RM5,542,088.31 in respect of the financial year ending 30 June 2018 was paid on 28 December 2017.

A9 Carrying Amount of revalued property, plant and equipment

The valuation of property, plant and equipment has been brought forward without amendment from the financial statement for the year ended 30 June 2017.

A10 Segmental reporting

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

6 months ended 31.12.17	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
<u>Revenue</u>								
External Sales	98,196	81,122	47,995	6,603	437	-	3,836	238,189
Inter-segment sales	11,403	-	-	7,637	-	44,090	(63,130)	-
Total revenue	<u>109,599</u>	<u>81,122</u>	<u>47,995</u>	<u>14,240</u>	<u>437</u>	<u>44,090</u>	<u>(59,294)</u>	<u>238,189</u>
<u>Results</u>								
Profit/(Loss) from operation	(2,483)	79,744	1,905	18	33	40,204	(79,058)	40,363
Finance costs	(1,308)	(15)	(89)	(25)	(12)	-	-	(1,449)
Share of results in associates	-	836	-	-	-	-	-	836
Profit/(Loss) before tax	<u>(3,791)</u>	<u>80,565</u>	<u>1,816</u>	<u>(7)</u>	<u>21</u>	<u>40,204</u>	<u>(79,058)</u>	<u>39,750</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>317,874</u>	<u>113,239</u>	<u>153,898</u>	<u>16,410</u>	<u>877</u>	<u>295,892</u>	<u>(365,386)</u>	<u>532,804</u>

A10 Segmental reporting (cont'd)

6 months ended 31.12.16	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
Revenue								
External Sales	65,829	57,239	-	1,156	333	-	-	124,557
Inter-segment sales	493	-	-	230	-	120	(843)	-
Total revenue	<u>66,322</u>	<u>57,239</u>	<u>-</u>	<u>1,386</u>	<u>333</u>	<u>120</u>	<u>(843)</u>	<u>124,557</u>
Results								
Profit/(Loss) from operation	837	31,206	(3,067)	(330)	94	(2,564)	(3,747)	22,429
Finance costs	(168)	(15)	(1,208)	(4)	(8)	-	-	(1,403)
Share of results in associates	-	(21)	-	-	-	-	-	(21)
Profit/(Loss) before tax	<u>669</u>	<u>31,170</u>	<u>(4,275)</u>	<u>(334)</u>	<u>86</u>	<u>(2,564)</u>	<u>(3,747)</u>	<u>21,005</u>
Total assets								
Segment assets/ Consolidated total assets	<u>250,952</u>	<u>120,174</u>	<u>275,023</u>	<u>4,922</u>	<u>1,066</u>	<u>258,483</u>	<u>(346,047)</u>	<u>564,573</u>

A11 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.

A12 Changes in composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

A13 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 2017 RM'000
Approved and contracted for - Denominated in RM	<u>621</u>

A14 Changes in contingent liabilities

	The Group		The Company	
	As at 31.12.17 RM'000	As at 30.06.17 RM'000	As at 31.12.17 RM'000	As at 30.06.17 RM'000
Performance and tender bond granted to contract customers	74,661	70,515	-	-

B Bursa Securities Listing Requirements (Part A of Appendix 9B)

B1 Review of performance

	Individual Period (2nd quarter)			Cumulative Period		
	Current Year Quarter 31/12/2017 (RM'000)	Preceding Year Corresponding Quarter 31/12/2016 (RM'000)	Changes (%)	Current Year To-date 31/12/2017 (RM'000)	Preceding Year Corresponding Period 31/12/2016 (RM'000)	Changes (%)
Revenue	120,941	61,494	97	238,189	124,557	91
Profit from operation	23,169	11,406	103	40,363	22,428	80
Profit before interest and tax	23,965	11,386	110	41,199	22,408	84
Profit before tax	23,170	10,191	127	39,750	21,005	89
Profit after tax	16,534	6,247	165	28,527	14,176	101
Profit attributable to Owners of the Company	6,892	2,181	216	11,970	6,570	82

During the current quarter, the Group recorded a higher revenue of RM120.9 million as compared to RM61.5 million in the preceding year corresponding quarter. The Group's profit before tax increased to RM23.2 million as compared to RM10.2 million in the preceding year corresponding quarter. The increase in revenue were mainly due to higher activities in the Construction, the Property Development and the Logging and Timber Trading segments. Higher profit before tax were mainly derived from the Logging and Timber Trading segment.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 December 2017 are as follow:

Construction Segment

For the current quarter, revenue increased to RM52.3 million as compared to RM30.8 million in the preceding year corresponding quarter. However, the segment recorded a loss before tax of RM1.8 million as compared to a loss before tax of RM2.0 million in the preceding year corresponding quarter. The losses before tax were mainly due to higher construction cost.

Logging and Timber Trading Segment

This segment recorded a higher revenue and profit before tax of RM44.1 million and RM46.0 million respectively as compared to RM29.9 million and RM19.7 million in the preceding year corresponding quarter. Included in the profit before tax was the dividend received from a subsidiary company amounting to RM21.5 million for the current quarter and RM5.1 million in the preceding year corresponding quarter.

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

Property Development Segment

This segment recorded a revenue and profit before tax of RM19.8 million and RM1.4 million respectively in the current quarter. These were contributed by the Australia project, the GardenHill, as well as the local maiden project, Rica Residence @ Sentul. As of today, GardenHill has recognized 94% of its GDV. As for the preceding year corresponding quarter, no revenue was recognised from this segment.

The profit before tax from this segment was affected by the sales and marketing expenditures of RM3.6 million.

Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM3.1 million as compared to RM0.6 million in the preceding year corresponding quarter. Profit before tax for both segments was RM25,000 as compared to loss before tax of RM106,000 in the preceding year corresponding quarter.

The Trading segment is mainly due to trading of building materials by the Group's appointed sub-contractors for its Construction segment, while the Logistic segment is to provide logistic services to the saw millers who purchase logs from our Logging and Timber Trading segment.

B2 Variation of result against preceding quarter

	Current Year Quarter 31/12/2017 (RM'000)	Immediate Preceding Quarter 30/09/2017 (RM'000)	Changes (%)
Revenue	120,941	117,248	3
Profit from operation	23,169	17,194	35
Profit before interest and tax	23,965	17,234	39
Profit before tax	23,170	16,580	40
Profit after tax	16,534	11,993	38
Profit attributable to Owners of the Company	6,892	5,078	36

For current quarter, the Group's revenue increased marginally to RM120.9 million, a 3% higher as compared to immediate preceding quarter. Nevertheless, the Group's profit before tax increased to RM23.2 million as compared to RM16.6 million in the immediate preceding quarter.

The higher profit before tax, approximately 40%, was mainly due to increase in demand and price from the Logging and Timber Trading segment.

B3 **Current year prospects**

Government proactive spending and priming of the economy through various mega public infrastructure projects are capable of driving domestic demand and thus, supporting economic growth. Therefore, it is foreseeable that business and construction activities will be increased and benefited the Group in line with this direction. We expect domestic economy to remain relatively stable with a more positive outlook in 2018.

Our Construction segment will continue to expand through financial year 2018, driven by our current order book of approximately RM450.0 million (including RM110.0 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. Moving 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 the Rica Residence @ Kinrara project by 2018. The project consist of 5 blocks condominium comprising of between 14 storeys to 32 storeys each, located in Puchong which is serviced 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 locations with good connectivity.

For timber industry, backed by the positive outlook in global production, increased consumer confidence and improved economies in Asia, the prospects are 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 31/12/2017 RM'000	3 months ended 31/12/2016 RM'000	6 months ended 31/12/2017 RM'000	6 months ended 31/12/2016 RM'000
Current period's provision	6,567	3,944	11,137	6,829
Under / (Over) provision for the prior years	-	-	-	-
Deferred taxation	69	-	86	-
Under / (Over) provision for the prior years	-	-	-	-
	6,636	3,944	11,223	6,829

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

During the quarter under review, the Company has taken up the Rights Shares issued by P.A Resources Berhad (“Subscribed Shares”). On 18th December 2017, the Company subscribed 78,309,100 Rights Shares with free detachable warrants on the basis of 1 free warrant for every 1 Rights Share, the Subscribed Shares consist of 63,074,640 Rights Shares at an issue price of RM0.05 each on the basis of 4 Rights Shares for every 5 ordinary shares held in P.A. Resources Berhad and additional subscribed of 15,234,460 Excess Rights Shares at an issue price of RM0.05 each with the total investment value of RM3,915,455.00.

Investment in quoted shares as at 31 December 2017 were as follows :

	RM'000
At cost	11,822
At market value	
- Shares	8,643
- Warrants	2,349

B8 Status of corporate proposals announced

There were no corporate proposal announced during the financial period to date.

B9 Borrowings

The tenure of the Group borrowings classified as follows:-

	31 December 2017		31 December 2016	
	Short term	Long term	Short term	Long term
<u>Secured</u>	RM'000	RM'000	RM'000	RM'000
Term loan	14,500	37,101	122,699	10,135
Hire purchase	732	2,377	537	1,382
Invoice Finance	9,821	-	2,026	-
Bankers Acceptance	5,332	-	-	-
	<u>30,385</u>	<u>39,477</u>	<u>125,262</u>	<u>11,517</u>

B10 Off balance sheet financial instruments

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

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 31/12/2017 RM'000
Not past due	54,508
Past due:	
- less than 3 months	4,508
- 3 to 6 months	355
- over 6 months	10,996
- more than 1 year	18,382
	<u>88,748</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

No dividends were declared for the second quarter ended 31 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 31/12/2017 RM'000	3 months Ended 31/12/2016 RM' 000	6 months Ended 31/12/2017 RM000	6 months Ended 31/12/2016 RM'000
Net profit attributable to Owners of the Company	6,892	2,181	11,970	6,570
Weighted Average Number of shares at the end of the period ('000)	368,880	361,665	367,734	361,666
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	120,443	130,338	120,443	130,338
Adjusted number of ordinary shares in issue and issuable ('000)	489,323	492,003	488,178	492,005
Basic earnings per share (sen)	1.87	0.60	3.26	1.82
Diluted earnings per share (sen)	1.41	0.60	2.45	1.82

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 31/12/2017 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	171,041	148,143
- Unrealised	(2,202)	(2,289)
	168,839	145,854
Less: Consolidation adjustments	(91,071)	(74,514)
Total Group retained profits as per consolidated accounts	77,768	71,340

B16 Profit before taxation

	Current Year Quarter 31/12/2017 RM'000 Unaudited	Current Year To-date 31/12/2017 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(253)	(545)
Rental of premises	(40)	(92)
Depreciation	4,258	5,288
Interest expense	930	1,620
(Gain)/Loss on derivate financial instruments	-	(73)
(Gain)/Loss on foreign exchange	(66)	(762)
Unrealised (gain)/loss on foreign exchange	1,132	1,726

B17 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 22 February 2018.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
22 February 2018