

**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 1,215,000 shares.

The details of shares held as treasury shares for the period ended 31 March 2018 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2017	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 31 March 2018	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**

There were no dividend paid during the current quarter.

**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:-

9 months ended 31.03.18	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	152,795	112,197	59,407	8,121	616	-	3,630	336,766
Inter-segment sales	18,530	-	-	16,797	-	54,658	(89,985)	-
Total revenue	<u>171,325</u>	<u>112,197</u>	<u>59,407</u>	<u>24,918</u>	<u>616</u>	<u>54,658</u>	<u>(86,355)</u>	<u>336,766</u>
<b><u>Results</u></b>								
Profit/(Loss) from operation	626	114,974	1,367	84	(29)	47,185	(107,137)	57,070
Finance costs	(2,119)	(23)	(103)	(27)	(17)	-	-	(2,289)
Share of results in associates	-	865	-	-	-	-	-	865
Profit/(Loss) before tax	<u>(1,493)</u>	<u>115,816</u>	<u>1,264</u>	<u>57</u>	<u>(46)</u>	<u>47,185</u>	<u>(107,137)</u>	<u>55,646</u>
<b><u>Total assets</u></b>								
Segment assets/ Consolidated total assets	<u>318,749</u>	<u>95,302</u>	<u>163,113</u>	<u>17,467</u>	<u>771</u>	<u>311,509</u>	<u>(370,100)</u>	<u>536,811</u>

## A10 Segmental reporting (cont'd)

9 months ended 31.03.17	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>Revenue</b>								
External Sales	91,332	92,198	138,025	1,382	516	-	-	323,453
Inter-segment sales	4,955	-	-	238	-	796	(5,989)	-
Total revenue	<u>96,287</u>	<u>92,198</u>	<u>138,025</u>	<u>1,620</u>	<u>516</u>	<u>796</u>	<u>(5,989)</u>	<u>323,453</u>
<b>Results</b>								
Profit/(Loss) from operation	(1,202)	55,373	39,604	(499)	86	438	(12,950)	80,850
Finance costs	(261)	(23)	(2,128)	(4)	(13)	-	-	(2,429)
Share of results in associates	-	-	-	-	-	(21)	-	(21)
Profit/(Loss) before tax	<u>(1,463)</u>	<u>55,350</u>	<u>37,476</u>	<u>(503)</u>	<u>73</u>	<u>417</u>	<u>(12,950)</u>	<u>78,400</u>
<b>Total assets</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>

## A11 Events subsequent to the balance sheet date

On 10 April 2018, the Company announced on the acquisition by Fajarbaru Land (M) Sdn Bhd (formerly known as Fajarbaru Properties Sdn Bhd), a wholly-owned subsidiary of the Company, of 98 ordinary shares at AUD\$1.00 each fully paid up in Beulah Northcote Land Pty Ltd (“BNL”), representing 49% of the entire issued share capital in BNL, for a purchase consideration of AUD\$98.00 and subscribe additional of 2,988,902 new ordinary shares at AUD\$1.00 each fully paid in BNL, representing 49% of the total increase issued share capital of AUD\$6,099,800.00 in BNL for a consideration of AUD\$2,988,902.00.

## 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 the quarter under review provided for in the financial statements are as follows :

<u>Property, Plant &amp; Equipment</u>	31 March 2018 RM'000
Approved and contracted for - Denominated in RM	<u>598</u>

## A14 Changes in contingent liabilities

	The Group		The Company	
	As at 31.03.18 RM'000	As at 30.06.17 RM'000	As at 31.03.18 RM'000	As at 30.06.17 RM'000
Performance and tender bond granted to contract customers	47,444	70,515	-	-

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

### B1 Review of performance

	Individual Period (3rd quarter)			Cumulative Period		
	Current Year Quarter 31/03/2018 (RM'000)	Preceding Year Corresponding Quarter 31/03/2017 (RM'000)	Changes (%)	Current Year To-date 31/03/2018 (RM'000)	Preceding Year Corresponding Period 31/03/2017 (RM'000)	Changes (%)
Revenue	98,577	198,896	-50	336,766	323,453	4
Profit from operation	16,706	58,421	-71	57,069	80,850	-29
Profit before interest and tax	16,736	58,421	-71	57,935	80,829	-28
Profit before tax	15,896	57,395	-72	55,646	78,400	-29
Profit after tax	11,498	44,783	-74	40,025	58,959	-32
Profit attributable to Owners of the Company	5,637	22,199	-75	17,607	28,769	-39

During the current quarter, the Group recorded a lower revenue of RM98.6 million as compared to RM198.9 million in the preceding year corresponding quarter. The Group's profit before tax decreased to RM15.9 million as compared to RM57.4 million in the preceding year corresponding quarter. The lower revenue and profit before tax during the current quarter were mainly due to decrease in revenue and profit recognition in the Property Development segment.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2018 are as follow:

#### Construction Segment

For the current quarter, revenue has increased to RM61.7 million as compared to RM30.0 million in the preceding year corresponding quarter. The segment recorded a profit before tax of RM2.3 million as compared to a loss before tax of RM2.1 million in the preceding year corresponding quarter. The increased in revenue was mainly attributable to higher work progress from the on-going projects, mainly the Rehabilitation of Track between Jerantut to Gua Musang Railway Station (Package B) and the construction of L'Marq Service Apartment at Semenyih, Selangor. The improvement of profit before tax was due to the write back of impairment loss in trade receivable which amounted to RM3.3 million.

#### Logging and Timber Trading Segment

This segment recorded a lower revenue but higher profit before tax of RM31.1 million and RM35.3 million respectively as compared to RM34.9 million and RM24.2 million in the preceding year corresponding quarter. The higher profit before tax was due to the higher dividend received from a subsidiary company amounting to RM19.0 million for the current quarter as compare to RM8.0 million in the preceding year corresponding quarter.

The decreased in revenue was mainly due to lower production as a result of poor weather conditions which affected the supply during the current quarter as compared to the preceding year corresponding quarter.

### Property Development Segment

This segment recorded a lower revenue and loss before tax of RM11.4 million and RM0.5 million respectively as compared to a revenue of RM138.0 million and profit before tax of RM41.8 million in the preceding year corresponding quarter.

The lower revenue of the current quarter was due to the Australia project, the Gardenhill, revenue being substantially recognized in the preceding year corresponding quarter, approximately 57.7% of the Gross Development Value (“GDV”) as compared to the revenue recognized in the current quarter of 0.6% of the GDV.

For the Malaysia project, Rica Residence @Sentul has continued contributing its revenue during the current quarter. The loss before tax was mainly due to the Sales and Marketing cost of RM1.4 million incurred during the current quarter.

### Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM10.7 million as compared to RM0.2 million in the preceding year corresponding quarter. Loss before tax for both segments was RM3,000 as compared to RM182,000 in the preceding year corresponding quarter.

The Trading segment is mainly 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 31/03/2018 (RM'000)	Immediate Preceding Quarter 31/12/2017 (RM'000)	Changes (%)
Revenue	98,577	120,941	-18
Profit from operation	16,706	23,169	-28
Profit before interest and tax	16,736	23,965	-30
Profit before tax	15,896	23,170	-31
Profit after tax	11,498	16,534	-30
Profit attributable to Owners of the Company	5,637	6,892	-18

For the current quarter ended 31 March 2018, the Group registered a lower revenue of RM98.6 million and pre-tax profit of RM15.9 million as compared to a revenue of RM120.9 million and pre-tax profit of RM23.2 million in the preceding quarter ended 31 December 2017.

The decreased in revenue and profit before tax were due to the Logging and Timber Trading segment as well as the Property Development segment.

The lower revenue in the Logging and Timber Trading segment was mainly due to lower production as a result of poor weather conditions which affected the supply during the current quarter.

Meanwhile, for the Property Development segment, lower revenue from the Australia project, the Gardenhill, was being recognized in the current quarter as compare to preceding quarter.

### **B3 Current year prospects**

The Group's Construction segment will continue to develop through financial year 2018, focusing on our current order book of approximately RM425.0 million (including RM107.0 million of internal project). Going forward, we opine that there will be uncertainties in the Construction segment in the short term. However, we believe that with a good track record and having completed various rail-related projects such as Double-Track (Seremban-Gemas), LRT stations and depots and consistently delivering quality products and services, we are able to compete on some of the infrastructure and rail construction jobs. In addition, our Group has invested into the latest trackwork machineries 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 have achieved 70% and 85% take up rate respectively. The Group plans to launch the Rica Residence @ Kinrara project by end of 2018. The project consist of 5 blocks condominium comprising of between 14 storeys to 32 storeys each, located in Puchong which is serviced by LDP and Kesas highway, and within walking distance to Kinrara BKS, LRT Station.

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 31/03/2018 RM'000	3 months ended 31/03/2017 RM'000	9 months ended 31/03/2018 RM'000	9 months ended 31/03/2017 RM'000
Current period's provision	4,350	12,626	15,487	19,455
Under / (Over) provision for the prior years	47	(14)	47	(14)
	4,397	12,612	15,534	19,441
Deferred taxation	1	-	87	-
Under / (Over) provision for the prior years	-	-	-	-
	4,398	12,612	15,621	19,441

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 31 March 2018 were as follows :

	<b>RM'000</b>
At cost	11,822
At market value	
- Shares	11,001
- Warrants	3,524

**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:-

<u>Secured</u>	31 March 2018		31 March 2017	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
Term loan	14,500	55,631	30,512	9,348
Hire purchase	905	2,478	537	1,267
Invoice Finance	693	-	6,493	-
Bankers Acceptance	2,263	-	168	-
Revolving Credit	4,000	-	-	-
	<u>22,361</u>	<u>58,109</u>	<u>37,710</u>	<u>10,615</u>

**B10 Off balance sheet financial instruments**

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2018.

**B11 Trade receivables**

The age analysis of trade receivables is as follow :

	<b>Current Quarter Ended 31/03/2018 RM'000</b>
Not past due	39,059
Past due:	
- less than 3 months	8,059
- 3 to 6 months	171
- over 6 months	9,481
- more than 1 year	18,382
	<u><u>75,152</u></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 third quarter ended 31 March 2018.

**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 31/03/2018 RM'000	3 months Ended 31/03/2017 RM' 000	9 months Ended 31/03/2018 RM000	9 months Ended 31/03/2017 RM'000
Net profit attributable to Owners of the Company	5,637	22,199	17,607	28,769
Weighted Average Number of shares at the end of the period ('000)	372,344	361,706	369,248	361,679
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	119,228	129,908	119,228	129,908
Adjusted number of ordinary shares in issue and issuable ('000)	491,572	491,614	488,477	491,588
<b>Basic earnings per share (sen)</b>	1.51	6.14	4.77	7.95
<b>Diluted earnings per share (sen)</b>	1.15	4.52	3.60	5.85

**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 31/03/2018 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	182,538	148,143
- Unrealised	(2,201)	(2,289)
	180,337	145,854
Less: Consolidation adjustments	(96,932)	(74,514)
Total Group retained profits as per consolidated accounts	83,405	71,340

**B16** **Profit before taxation**

	Current Year Quarter 31/03/2018 RM'000 Unaudited	Current Year To-date 31/03/2018 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(282)	(827)
Rental of premises	-	(92)
(Gain)/Loss on disposal of property, plant & equipment	197	187
Depreciation	3,331	8,619
Interest expense	1,053	2,673
Employee services expenses	-	1,795
Write off of property, plant and equipment	313	313
Write back of impairment loss in trade receivables	(3,328)	(3,328)
(Gain)/Loss on derivate financial instruments	-	(73)
(Gain)/Loss on foreign exchange	-	(762)
Unrealised (gain)/loss on foreign exchange	1,480	3,206

**B17** **Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 24 May 2018.

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

Dato' Ir Low Keng Kok  
Chairman

Kuala Lumpur  
24 May 2018