

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 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.

A2.1 Early adoption of a Standard

The Group has elected to early adopt MFRS 15 “Revenue from Contracts with Customers” as issued by the Malaysian Accounting Standards Board (“MASB”) on 2 April 2018. The Group has elected to apply the transitional provisions under MFRS 15 paragraph C3(b) whereby the effects of adopting MFRS 15 is adjusted at the opening balance of equity as at 1 July 2017 and prior year comparatives are not restated. The effects of the adoption of MFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 July 2017 to be consistent with the terminology used under MFRS 15:

- Contract assets – In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.
- Contract liabilities – In the case of property development and construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned.

Accounting for property development activities

In prior adoption of the standard, the Group are required to accounts for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under MFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the billings to purchasers of properties is recognised as contract assets accrued billings. The excess of cumulative billings to purchasers of properties over revenue recognised in profit or loss is recognised as contract liabilities progress billings.

Accounting of costs incurred to obtain a contract

In prior adoption of the standard, sales commissions and other costs incurred in order to secure long term property development contracts with purchasers were expensed in profit or loss as they did not qualify for recognition as an asset under any other accounting standards. Following the adoption of MFRS 15, such incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

A2.1 Early adoption of a Standard (Cont'd)

Effect of changes in financial statements of early adoption MFRS 15:

	Results without the early adoption of MFRS 15 RM'000	Effect of the early adoption of MFRS 15 RM'000	Results as reported RM'000
<u>Statement of financial position (extract)</u>			
Inventories	128,266	6,718	134,984
Contract assets	-	14,692	14,692
Other Receivable	17,845	(17,845)	-
Taxation	4,502	(623)	3,879
Retained profits	80,319	2,942	83,261
<u>Statement of profit or loss and other comprehensive income (extract)</u>			
Revenue	398,783	(3,153)	395,630
Cost of sales	(297,832)	944	(296,888)
Operating Expenses	(54,790)	5,774	(49,016)
Taxation	(17,060)	(623)	(17,683)
<u>Statement of cash flows (extract)</u>			
<u>Cash flows from operating activities</u>			
Profit/(Loss) before taxation	55,071	3,565	58,635
<u>(Increase)/Decrease in working capital:</u>			
Inventories	30,602	6,718	23,884
Receivables	(10,016)	(3,153)	(6,863)

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.

The details of shares held as treasury shares for the period ended 30 June 2018 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2018	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 30 June 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:-

12 months ended 30.06.18	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
<u>Revenue</u>								
External Sales	196,763	123,780	68,499	8,085	768	58	(2,323)	395,630
Inter-segment sales	25,703	-	-	24,304	-	72,922	(122,929)	-
Total revenue	<u>222,466</u>	<u>123,780</u>	<u>68,499</u>	<u>32,389</u>	<u>768</u>	<u>72,980</u>	<u>(125,252)</u>	<u>395,630</u>
<u>Results</u>								
Profit/(Loss) from operation	2,884	139,720	3,976	35	(53)	64,604	(150,734)	60,432
Finance costs	(2,947)	(30)	(121)	(28)	(23)	-	-	(3,149)
Share of results in associates	-	1,352	-	-	-	-	-	1,352
Profit/(Loss) before tax	<u>(63)</u>	<u>141,042</u>	<u>3,855</u>	<u>7</u>	<u>(76)</u>	<u>64,604</u>	<u>(150,734)</u>	<u>58,635</u>
<u>Total assets</u>								
Segment assets/ Consolidated total assets	<u>218,846</u>	<u>72,414</u>	<u>159,044</u>	<u>8,870</u>	<u>697</u>	<u>408,909</u>	<u>(342,527)</u>	<u>526,253</u>

A10 Segmental reporting (cont'd)

12 months ended 30.06.17	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
Revenue								
External Sales	120,216	124,371	202,750	4,776	730	-	477	453,320
Inter-segment sales	10,247	-	-	745	-	13,180	(24,172)	-
Total revenue	<u>130,463</u>	<u>124,371</u>	<u>202,750</u>	<u>5,521</u>	<u>730</u>	<u>13,180</u>	<u>(23,695)</u>	<u>453,320</u>
Results								
Profit/(Loss) from operation	(3,728)	56,807	53,488	(640)	26	1,764	4,091	111,808
Finance costs	(608)	(30)	(3,453)	(5)	(28)	(430)	-	(4,554)
Share of results in associates	-	-	-	-	-	(21)	-	(21)
Profit/(Loss) before tax	<u>(4,336)</u>	<u>56,777</u>	<u>50,035</u>	<u>(645)</u>	<u>(2)</u>	<u>1,313</u>	<u>4,091</u>	<u>107,233</u>
Total assets								
Segment assets/ Consolidated total assets	<u>279,611</u>	<u>96,463</u>	<u>248,790</u>	<u>6,146</u>	<u>913</u>	<u>262,131</u>	<u>(376,712)</u>	<u>517,342</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

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.

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 & Equipment</u>	30 June 2018 RM'000
Approved and contracted for - Denominated in RM	<u>20,058</u>

A14 Changes in contingent liabilities

	The Group		The Company	
	As at 30.06.18 RM'000	As at 30.06.17 RM'000	As at 30.06.18 RM'000	As at 30.06.17 RM'000
Performance and tender bond granted to contract customers	53,050	70,515	-	-

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

B1 Review of performance

	Individual Period (4th quarter)			Cumulative Period		
	Current Year Quarter 30/06/2018 (RM'000)	Preceding Year Corresponding Quarter 30/06/2017 (RM'000)	Changes (%)	Current Year To-date 30/06/2018 (RM'000)	Preceding Year Corresponding Period 30/06/2017 (RM'000)	Changes (%)
Revenue	58,864	129,867	-55	395,630	453,320	-13
Profit from operation	5,375	30,958	-83	60,432	111,808	-46
Profit before interest and tax	5,862	30,958	-81	61,784	111,787	-45
Profit before tax	5,002	28,833	-83	58,635	107,233	-45
Profit after tax	2,939	20,680	-86	40,952	79,639	-49
Profit attributable to Owners of the Company	1,868	10,022	-81	17,463	38,791	-55

During the current quarter, the Group recorded a lower revenue of RM58.9 million as compared to RM129.9 million in the preceding year corresponding quarter. The Group's profit before tax decreased to RM4.6 million as compared to RM28.8 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 and Logging and Timber Trading segments.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 June 2018 are as follow:

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 30/06/2018 (RM'000)	Preceding Year Corresponding Quarter 30/06/2017 (RM'000)	Changes (RM'000)	Current Year Quarter 30/06/2018 (RM'000)	Preceding Year Corresponding Period 30/06/2017 (RM'000)	Changes (RM'000)
<u>Segment</u>						
Construction	43,968	28,884	15,084	447	(368)	815
Logging & timber trading	11,583	32,173	(20,590)	3,230	14,613	(11,383)
Property development	3,139	65,203	(62,064)	1,964	13,410	(11,446)
Trading	(35)	3,393	(3,428)	(186)	8	(194)
Logistic	151	214	(63)	263	(114)	377
Investment holding	58	-	58	(716)	1,284	(2,000)
Total	58,864	129,867	(71,003)	5,002	28,833	(23,831)

Construction Segment

For the current quarter, revenue has increased to RM44.0 million as compared to RM28.9 million in the preceding year corresponding quarter. The segment recorded a profit before tax of RM0.4 million as compared to a loss before tax of RM0.4 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 loss

before tax in the preceding year corresponding quarter was mainly due to the higher administrative cost and non-recurring expenses incurred which amounted to RM0.5 million.

Logging and Timber Trading Segment

This segment recorded a lower revenue and profit before tax of RM11.6 million and RM3.2 million respectively as compared to RM32.2 million and RM14.6 million in the preceding year corresponding quarter.

The decreased in revenue and profit before tax were mainly due to lesser working block in production while the other blocks are pending for approval from authorities. Meanwhile, this is also 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 profit before tax of RM3.1 million and RM2.0 million respectively as compared to a revenue of RM65.2 million and profit before tax of RM13.4 million in the preceding year corresponding quarter.

The lower revenue and profit before tax of the current quarter were mainly due to the Australia project, the Gardenhill, revenue being substantially recognized in the preceding year corresponding quarter, approximately 23.9% of the Gross Development Value (“GDV”) as compared to the revenue recognized in the current quarter of 2.12% of the GDV. Meanwhile, for the Malaysia project, Rica Residence @Sentul has reversed its revenue recognised on cash buyer amounted to RM3.2 million during the current quarter due to the adoption of MFRS 15, whereby we had deferred the recognition of revenue from sales when we were not be able to determine the probability that we were be able to collect the consideration to which we will be entitled under the Sales & Purchase agreement.

Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM0.1 million as compared to RM3.6 million in the preceding year corresponding quarter. Profit before tax for both segments was RM0.1 million as compared to the loss before tax of RM0.1 million 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 30/06/2018 (RM'000)	Immediate Preceding Quarter 31/03/2018 (RM'000)	Changes (%)
Revenue	58,864	98,577	-40
Profit from operation	5,375	16,706	-68
Profit before interest and tax	5,862	16,736	-65
Profit before tax	5,002	15,896	-69
Profit after tax	2,939	11,498	-74
Profit attributable to Owners of the Company	1,868	5,637	-67

For the current quarter ended 30 June 2018, the Group registered a lower revenue of RM58.9 million and pre-tax profit of RM5.0 million as compared to a revenue of RM98.6 million and pre-tax profit of RM15.9 million in the preceding quarter ended 31 March 2018.

The decreased in revenue and profit before tax were mainly 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 lesser working block in production while the other blocks are pending for approval from authorities. Meanwhile, this is also 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, being recognized in the current quarter as compare to the 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 RM381.1 million (including RM102.1 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.

The property market in general is expected to remain challenging but hopeful the current situation will change for the better. The Group's property division will continue to promote the remaining 30% Rica Residence Sentul units to bumiputra purchasers and at the same time work towards releasing some of the bumiputra units to non-bumiputra purchasers when construction reaches 50% completion. On Paragon, Melbourne the take-up rate has surpassed the 80% mark and interest on the remaining units is better-than-expected and gradually being taken up when construction starts. Next in line for launch is the Rica Residence Kinrara, Puchong. The project features unparallel landscape and hardscape in that locality. Only 800m to Kinrara BK5, LRT station.

Despite the challenging external environment, the Group has confidence the demand for property will improve particularly for those projects with good connectivity. The middle and upper-middle income groups remained our primary target market.

For timber industry, backed by the positive outlook in global demand, 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 30/06/2018 RM'000	3 months ended 30/06/2017 RM'000	12 months ended 30/06/2018 RM'000	12 months ended 30/06/2017 RM'000
Current period's provision	1,923	8,295	17,411	27,750
Under / (Over) provision for the prior years	105	-	152	(14)
	2,028	8,295	17,562	27,736
Deferred taxation	35	(142)	121	(142)
Under / (Over) provision for the prior years	-	-	-	-
	2,063	8,153	17,683	27,594

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 2018 were as follows :

	RM'000
At cost	11,822
At market value	
- Shares	8,643
- Warrants	3,132

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:-

	30 June 2018		30 June 2017	
	Short term	Long term	Short term	Long term
<u>Secured</u>	RM'000	RM'000	RM'000	RM'000
Term loan	14,500	53,022	12,371	31,389
Hire purchase	905	2,255	732	2,402
Invoice Finance	(0)	-	1,825	-
Bankers Acceptance	7,386	-	3,298	-
Revolving Credit	16,000	-	-	-
	38,791	55,278	18,226	33,791

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 30 June 2018.

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 30/06/2018 RM'000
Not past due	68,089
Past due:	
- less than 3 months	9,261
- 3 to 6 months	498
- over 6 months	2,236
- more than 1 year	18,837
	98,921

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 fourth quarter ended 30 June 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 30/06/2018 RM'000	3 months Ended 30/06/2017 RM' 000	12 months Ended 30/06/2018 RM000	12 months Ended 30/06/2017 RM'000
Net profit attributable to Owners of the Company	1,868	10,022	17,463	38,791
Weighted Average Number of shares at the end of the period ('000)	372,773	363,607	370,127	362,160
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	119,228	125,925	119,228	125,925
Adjusted number of ordinary shares in issue and issuable ('000)	492,001	489,532	489,355	488,085
Basic earnings per share (sen)	0.50	2.76	4.72	10.71
Diluted earnings per share (sen)	0.38	2.05	3.57	10.69

B15 Profit before taxation

	Current Year Quarter 30/06/2018 RM'000 Unaudited	Current Year To-date 30/06/2018 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(256)	(1,083)
Rental of premises	-	(92)
(Gain)/Loss on disposal of property, plant & equipment	(4)	183
Depreciation	937	9,556
Interest expense	282	2,955
Employee services expenses	-	1,795
Write off of property, plant and equipment	-	313
Provision for foreseeable loss	1,406	1,406
Write back of impairment loss in trade receivables	(3,328)	(3,328)
Reversal of provision for foreseeable loss	(1,350)	(1,350)
(Gain)/Loss on derivate financial instruments	-	(73)
(Gain)/Loss on foreign exchange	1,101	339
Unrealised (gain)/loss on foreign exchange	714	3,920

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 28 August 2018.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
28 August 2018