

**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 interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

**A2 Changes of accounting policies**

The accounting policies adopted by the Group in the quarterly financial statements are consistent with those adopted in the financial statements for financial year ended 30 June 2018, except for the adoption of the following new MFRSs, Amendments/Improvements to MFRSs and IC Interpretations as follows:

<i><b>Standard</b></i>	<i><b>Title</b></i>
MFRS 9	Financial Instruments
Amendments to MFRS 2	Classification and Measurement of Shared-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 140	Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new MFRSs, Amendments/Improvements to MFRSs and IC Interpretations do not have any material impact on the financial statement of the Group.

**A2.1 Amendments to MFRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:**

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

- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’
- MFRS 16 Leases
- Amendments to MFRS 128: Long-term Interest in Associates and Joint Ventures
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition. The Group is currently assessing the impact of these standards and plans to adopt these standards on the respective effective dates.

**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 September 2018 are as follow:

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

## A10 Segmental reporting

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

3 months ended 30.09.18	← Before Group's Eliminations →						Adjustment and Eliminations RM'000	Total RM'000
	Construction RM'000	Logging and timber trading RM'000	Property development RM'000	Trading RM'000	Logistic RM'000	Investment holding RM'000		
<b>Revenue</b>								
External Sales	74,676	17,738	7,441	3,122	256	21	1,832	105,086
Inter-segment sales	8,806	-	-	7,285	-	6,159	(22,250)	-
Total revenue	<u>83,482</u>	<u>17,738</u>	<u>7,441</u>	<u>10,407</u>	<u>256</u>	<u>6,180</u>	<u>(20,418)</u>	<u>105,086</u>
<b>Results</b>								
Profit/(Loss) from operation	905	18,013	1,191	2	(38)	4,965	(15,799)	9,239
Finance costs	(659)	(8)	(61)	(29)	(12)	-	-	(769)
Share of results in associates	-	1,337	-	-	-	-	-	1,337
Profit/(Loss) before tax	<u>246</u>	<u>19,342</u>	<u>1,130</u>	<u>(27)</u>	<u>(50)</u>	<u>4,965</u>	<u>(15,799)</u>	<u>9,807</u>
<b>Total assets</b>								
Segment assets/ Consolidated total assets	<u>180,669</u>	<u>48,779</u>	<u>146,948</u>	<u>12,200</u>	<u>324</u>	<u>52,879</u>	<u>102,965</u>	<u>544,764</u>

3 months ended 30.09.17	← Before Group's Eliminations →						Adjustment and Eliminations RM'000	Total RM'000
	Construction RM'000	Logging and timber trading RM'000	Property development RM'000	Trading RM'000	Logistic RM'000	Investment holding RM'000		
<b>Revenue</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>Results</b>								
Profit/(Loss) from operation	(1,360)	33,693	865	(2)	17	29,894	(46,271)	16,836
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>(46,271)</u>	<u>16,222</u>
<b>Total assets</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>

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

<u>Property, Plant &amp; Equipment</u>	30 September 2018 RM'000
Approved and contracted for - Denominated in RM	<u>8,723</u>

### **A14 Changes in contingent liabilities**

	The Group		The Company	
	As at 30.09.18 RM'000	As at 30.06.18 RM'000	As at 30.09.18 RM'000	As at 30.06.18 RM'000
Performance and tender bond granted to contract customers	51,261	53,050	-	-

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

### B1 Review of performance

	Individual Period (1st quarter)			Cumulative Period		
	Current Year Quarter 30/09/2018 (RM'000)	Preceding Year Corresponding Quarter 30/09/2017 (RM'000)	Changes (%)	Current Year To-date 30/09/2018 (RM'000)	Preceding Year Corresponding Period 30/09/2017 (RM'000)	Changes (%)
Revenue	105,086	117,248	-10	105,086	117,248	-10
Profit from operation	9,239	16,836	-45	9,239	16,836	-45
Profit before interest and tax	10,576	16,876	-37	10,576	16,876	-37
Profit before tax	9,807	16,222	-40	9,807	16,222	-40
Profit after tax	7,355	11,635	-37	7,355	11,635	-37
Profit attributable to Owners of the Company	4,735	4,720	0	4,735	4,720	0

During the current quarter, the Group recorded a lower revenue of RM105.1 million as compared to RM117.2 million in the preceding year corresponding quarter. The Group's profit before tax decreased to RM9.8 million as compared to RM16.2 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 September 2018 are as follow:

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 30/09/2018 (RM'000)	Preceding Year Corresponding Quarter 30/09/2017 (RM'000)	Changes (RM'000)	Current Year Quarter 30/09/2018 (RM'000)	Preceding Year Corresponding Period 30/09/2017 (RM'000)	Changes (RM'000)
<b><u>Segment</u></b>						
Construction	74,676	45,917	28,759	(320)	(2,109)	-
Logging & timber trading	17,738	36,988	(19,250)	8,851	17,238	(8,387)
Property development	9,273	30,409	(21,136)	2,168	2,074	94
Trading	3,122	3,710	(588)	(139)	(132)	-
Logistic	256	224	32	(72)	(84)	-
Investment holding	21	-	21	(681)	(765)	-
Total	105,086	117,248		9,807	16,222	

#### Construction Segment

For the current quarter, revenue has increased to RM74.7 million as compared to RM45.9 million in the preceding year corresponding quarter, representing an increase of approximately 62.7% or RM28.8 million. Higher revenue in current financial quarter also translated to lower loss before tax of RM0.3 million as compared to a loss before tax of RM2.1 million in the preceding year corresponding quarter.

The increase in revenue was mainly attributed to the finalization of several completed projects during the current quarter.

### Logging and Timber Trading Segment

This segment recorded a lower revenue and profit before tax of RM17.7 million and RM8.9 million respectively as compared to RM37.0 million and RM17.2 million in the preceding year corresponding quarter.

The decreased in revenue and profit before tax were mainly due to less working block in production while the other blocks are pending for approval from authorities. In addition, it 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 but slightly higher profit before tax of RM9.3 million and RM2.2 million respectively as compared to a revenue of RM30.4 million and profit before tax of RM2.1 million in the preceding year corresponding quarter.

The revenue declined by RM21.1 million due to the completion of the Australia project, the Gardenhill revenue being substantially recognized in the preceding year. Revenue reported for the current quarter was mainly from Rica Residences @ Sentul. However, the profit before tax recorded slightly higher as compared to the preceding year corresponding quarter mainly due to the lower of the sales and marketing expenses for the current quarter.

### Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM3.4 million as compared to RM3.9 million in the preceding year corresponding quarter. Loss before tax for both segments was RM0.2 million which are similar with the preceding year corresponding quarter.

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

	Current Year Quarter 30/09/2018 (RM'000)	Immediate Preceding Quarter 30/06/2018 (RM'000)	Changes (%)
Revenue	105,086	58,864	79
Profit from operation	9,239	5,375	72
Profit before interest and tax	10,576	5,862	80
Profit before tax	9,807	5,002	96
Profit after tax	7,355	2,939	150
Profit attributable to Owners of the Company	4,735	1,868	153

For the current quarter ended 30 September 2018, the Group registered a higher revenue of RM105.1 million and profit before tax of RM9.8 million as compared to a revenue of RM58.9 million and profit before tax profit of RM5.0 million in the preceding quarter ended 30 June 2018.

The increase in revenue was mainly due to the finalization of several completed projects of construction segment. For our property segment, higher work progress for

Rica Residences @ Sentul and also the higher production for logging and timber segment during current quarter as compared to the immediate preceding quarter were also contributing factor for the increase in revenue.

The higher profit before tax was mainly contributed by the logging and timber segment.

### **B3 Current year prospects**

The Group's Construction segment will continue to develop through financial year 2019, focusing on our current order book of approximately RM318.2 million (including RM93.3 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 we are optimistic it will improve in the near future. The Group's property division will strive harder 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 demolition works had been completed and sales had surpassed the 80% mark. Concerted efforts with agents to promote the remaining units had yielded some encouraging sales and it will be carried out regularly until all the units are fully sold. Slated for launch next year is the Rica Residence Kinrara, Puchong. The project is just a short walk away to the BK5, LRT station and other living conveniences.

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 30/09/2018 RM'000	3 months ended 30/09/2017 RM'000	3 months ended 30/09/2018 RM'000	3 months ended 30/09/2017 RM'000
Current period's provision	2,378	4,603	2,378	4,603
Under / (Over) provision for the prior years	74	-	74	-
	2,452	4,603	2,452	4,603
Deferred taxation	-	(16)	-	(16)
Under / (Over) provision for the prior years	-	-	-	-
	2,452	4,587	2,452	4,587

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 2018 were as follows :

	<b>RM'000</b>
At cost	11,822
At market value	
- Shares	7,858
- 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:-

	30 September 2018		30 September 2017	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
<b><u>Secured</u></b>				
Term loan	45,748	25,670	14,500	53,382
Hire purchase	1,714	4,106	732	2,221
Invoice Finance	-	-	3,320	-
Bankers Acceptance	2,515	-	4,948	-
Revolving Credit	18,000	-	-	-
	<u>67,977</u>	<u>29,776</u>	<u>23,500</u>	<u>55,603</u>

**B10 Off balance sheet financial instruments**

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

**B11 Trade receivables**

The age analysis of trade receivables is as follow :

	<b>Current Quarter Ended 30/09/2018 RM'000</b>
Not past due	57,751
Past due:	
- less than 3 months	21,591
- 3 to 6 months	25,604
- over 6 months	2,624
- more than 1 year	16,152
	<u><u>123,723</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**

An interim single tier dividend of 1.5 sen per ordinary share be declared in respect of the financial year ending 30 June 2019.

The interim dividend will be paid on 28 December 2018 to the shareholders whose name appear in the Record of Depositors of the Company on 17 December 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 30/09/2018 RM'000	3 months Ended 30/09/2017 RM' 000	3 months Ended 30/09/2018 RM000	3 months Ended 30/09/2017 RM'000
Net profit attributable to Owners of the Company	4,735	4,720	4,735	4,720
Weighted Average Number of shares at the end of the period ('000)	372,773	366,829	372,773	366,829
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	119,228	124,430	119,228	124,430
Adjusted number of ordinary shares in issue and issuable ('000)	492,001	491,259	492,001	491,259
<b>Basic earnings per share (sen)</b>	1.27	1.29	1.27	1.29
<b>Diluted earnings per share (sen)</b>	0.96	0.96	0.96	0.96

**B15 Profit before taxation**

	Current Year Quarter 30/09/2018 RM'000 Unaudited	Current Year To-date 30/09/2018 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(234)	(234)
(Gain)/Loss on disposal of property, plant & equipment	3	3
Depreciation	2,650	2,650
Interest expense	1,130	1,130
Reversal of provision for foreseeable loss	(17)	(17)
Unrealised (gain)/loss on foreign exchange	(62)	(62)

**B16 Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 29 November 2018.

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

Dato' Ir Low Keng Kok  
Chairman

Kuala Lumpur  
29 November 2018