

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>Standard</i>	<i>Title</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 31 March 2019 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2018	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 31 March 2019	1,070,164	1,141,028

The shares purchased are being held as treasury shares in accordance with Section 127 (6) 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 2018.

A10 Segmental reporting

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

9 months ended 31.03.19	← 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		
Revenue								
External Sales	127,796	64,281	41,563	5,751	1,105	86	(2,613)	237,969
Inter-segment sales	35,155	-	-	18,928	-	15,606	(69,689)	-
Total revenue	<u>162,951</u>	<u>64,281</u>	<u>41,563</u>	<u>24,679</u>	<u>1,105</u>	<u>15,692</u>	<u>(72,302)</u>	<u>237,969</u>
Results								
Profit/(Loss) from operation	(14,053)	57,471	9,434	211	92	12,102	(43,926)	21,331
Finance costs	(1,901)	(22)	(241)	(31)	(45)	-	-	(2,240)
Share of results in associates	-	2,582	-	-	-	-	-	2,582
Profit/(Loss) before tax	<u>(15,954)</u>	<u>60,031</u>	<u>9,193</u>	<u>180</u>	<u>47</u>	<u>12,102</u>	<u>(43,926)</u>	<u>21,673</u>
Total assets								
Segment assets/ Consolidated total assets	<u>186,897</u>	<u>59,406</u>	<u>174,007</u>	<u>8,293</u>	<u>1,456</u>	<u>414,287</u>	<u>(360,803)</u>	<u>483,543</u>

9 months ended 31.03.18	← 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		
Revenue								
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>
Results								
Profit/(Loss) from operation	626	114,974	1,367	84	(29)	47,185	(109,150)	55,057
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>(109,150)</u>	<u>53,633</u>
Total assets								
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>

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

There were no material capital commitments as at the 31 March 2019.

A14 Changes in contingent liabilities

	The Group		The Company	
	As at 31.03.19 RM'000	As at 30.06.18 RM'000	As at 31.03.19 RM'000	As at 30.06.18 RM'000
Performance and tender bond granted to contract customers	50,259	70,389	-	-

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

B1 Review of performance

	Individual Period (2nd quarter)			Cumulative Period		
	Current Year Quarter 31/03/2019 (RM'000)	Preceding Year Corresponding Quarter 31/03/2018 (RM'000)	Changes (%)	Current Year To-date 31/03/2019 (RM'000)	Preceding Year Corresponding Period 31/03/2018 (RM'000)	Changes (%)
Revenue	70,404	98,577	-29	237,969	336,766	-29
Profit/(loss) from operation	(233)	15,736	-101	21,331	55,057	-61
Profit/(loss) before interest and tax	471	15,765	-97	23,913	55,922	-57
Profit/(loss) before tax	(253)	14,925	-102	21,673	53,633	-60
Profit/(loss) after tax	(2,830)	10,527	-127	11,980	38,012	-68
Profit/(loss) attributable to Owners of the Company	(8,221)	4,667	-276	287	15,594	-98

During the current quarter, the Group recorded a lower revenue of RM70.4 million as compared to RM98.6 million in the preceding year corresponding quarter. The Group registered a loss before tax of RM0.3 million as compared to the profit before tax of RM14.9 million in the preceding corresponding quarter. The lower revenue during the current quarter were mainly due to decrease in revenue recognition in the Construction segment, as well as the Logging and Timber Trading segment. However, the Group's Property Segment recorded a higher revenue of RM17.1 million as compared to the preceding corresponding quarter of RM11.2 million. The loss before tax during the current quarter were predominantly due to the impairment of trade receivables amounted to RM20.3 million for the L'Marq project, Semenyih.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2019 are as follow:

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 31/03/2019 (RM'000)	Preceding Year Corresponding Quarter 31/03/2018 (RM'000)	Changes (RM'000)	Current Year Quarter 31/03/2019 (RM'000)	Preceding Year Corresponding Period 31/03/2018 (RM'000)	Changes (RM'000)
<u>Segment</u>						
Construction	27,942	54,600	(26,658)	(16,953)	2,160	(19,113)
Logging & timber trading	24,023	31,075	(7,052)	12,348	16,260	(3,912)
Property development	17,053	11,205	5,848	5,602	200	5,402
Trading	882	1,517	(635)	(360)	(100)	NM
Logistic	489	180	309	123	(206)	329
Investment holding	15	-	15	(1,013)	(3,389)	NM
Total	70,404	98,577		(253)	14,925	

* NM = Non-meaningful

Construction Segment

For the current quarter, revenue decreased to RM27.9 million as compared to RM54.6 million in the preceding year corresponding quarter. The reduction in revenue recognition was as a result of the completion of construction works for some of the projects undertaken by the Group.

The loss before tax for the current quarter is RM17.0 million as compared to a profit before tax of RM2.2 million in the preceding year corresponding quarter. This was mainly due to the impairment of trade receivables amounted to RM20.3 million for the L'Marq project, Semenyih.

Logging and Timber Trading Segment

This segment recorded a lower revenue and profit before tax of RM24.0 million and RM12.3 million respectively as compared to a revenue of RM31.1 million and profit before tax of RM16.3 million in the preceding year corresponding quarter.

The decreased were predominantly due to the lesser working block in production as well as other blocks still pending for authority approval.

Property Development Segment

This segment recorded a higher revenue and profit before tax of RM17.1 million and RM5.6 million respectively as compared to a revenue of RM11.2 million and profit before tax of RM0.2 million in the preceding year corresponding quarter.

The higher work progress from Rica Residence @ Sentul was the main reason for the higher revenue in the current quarter. With higher revenue being recognised, the segment registered a higher profit before tax in the current quarter.

Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM1.4 million as compared to RM1.7 million in the preceding year corresponding quarter. Despite the lower revenue, the Trading and Logistic segments loss before tax for both segments improved by RM0.1 million as compared to the preceding year corresponding quarter. This was mainly due to better performance in the Logistic segment for the current quarter.

B2 Variation of result against preceding quarter

	Current Year Quarter 31/03/2019 (RM'000)	Immediate Preceding Quarter 31/12/2018 (RM'000)	Changes (%)
Revenue	70,404	62,479	13
Profit/(loss) from operation	(233)	12,326	-102
Profit/(loss) before interest and tax	471	12,866	-96
Profit/(loss) before tax	(253)	12,119	-102
Profit/(loss) after tax	(2,830)	7,455	-138
Profit/(loss) attributable to Owners of the Company	(8,221)	3,773	-318

For the current quarter ended 31 March 2019, the Group registered a higher revenue of RM70.4 million but a loss before tax of RM0.3 million. In comparison, during the preceding quarter ended 31 December 2018, the Group registered a revenue of RM62.5 million and a profit before tax of RM12.1 million.

The increase was mainly due to higher work progress being recognized in the Property Development segment.

The loss before tax for the current quarter was mainly due to the impairment of trade receivables amounted to RM20.3 million for the L'Marq project, Semenyih in the construction 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 RM178.1 million (including RM67.0 million of internal project). Moving forward, there will be uncertainties in the Construction segment in the short term. However, with 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. Furthermore, the Group has invested in 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 experiencing a slowdown in sales mainly due to job insecurity and rising cost of living. Sales of the remaining 30% of Rica Residence @ Sentul bumiputra reserved units remains sluggish. As for Paragon, Melbourne project, the foundation works are currently in progress and the sales to date is about 87%. Sales activities will be carried out continuously until all units are sold. On Rica Residence @ Kinrara, Puchong, the launch will be delayed until the market condition improves.

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 31/03/2019 RM'000	3 months ended 31/03/2018 RM'000	9 months ended 31/03/2019 RM'000	9 months ended 31/03/2018 RM'000
Current period's provision	2,372	4,350	8,091	15,487
Under / (Over) provision for the prior years	215	47	289	47
	2,587	4,397	8,380	15,534
Deferred taxation	-	1	1,313	87
Under / (Over) provision for the prior years	-	-	-	-
	2,587	4,398	9,693	15,621

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 2019 were as follows :

	RM'000
At cost	11,822
At market value	
- Shares	7,858
- 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:-

	31 March 2019		31 March 2018	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
<u>Secured</u>				
Term loan	36,022	10,366	14,500	55,631
Hire purchase	1,673	3,884	905	2,478
Invoice Finance	2,142	-	693	-
Bankers Acceptance	-	-	2,263	-
Revolving Credit	12,743	-	4,000	-
	52,580	14,250	22,361	58,109

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2019.

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 31/03/2019 RM'000
Not past due	33,459
Past due:	
- less than 3 months	4,476
- 3 to 6 months	1,617
- over 6 months	12,500
- more than 1 year	20,863
	<u><u>72,915</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**Shaw Plaza Arbitration**

On 19 April 2019, Fajarbaru Builder Sdn. Bhd. (“FBSB”), a wholly owned subsidiary of the Fajarbaru Builder Group Berhad, through its Solicitors’ letter informed Shaw Plaza Sdn. Bhd. (“SPSB”) that FBSB are agreeable to resolve their differences and disputes arisen under the Contract and Mutual Termination Agreement by way of arbitration proceedings.

FBSB has indicated to SPSB that FBSB have a claim against SPSB amounting to RM22.8 million, in addition to other damages, costs, interests and other expense claims.

Based on the available documents and expert reports at the time being, FBSB’s Solicitors are of the preliminary opinion that FBSB has a reasonable chance of success.

B13 Dividend

No dividends were declared for the third quarter ended 31 March 2019.

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 31/03/2019 RM'000	3 months Ended 31/03/2018 RM' 000	9 months Ended 31/03/2019 RM000	9 months Ended 31/03/2018 RM'000
Net profit attributable to Owners of the Company	(8,221)	4,667	287	15,594
Weighted Average Number of shares at the end of the period ('000)	372,773	372,344	372,773	369,248
Weighted Average Number of shares of conversion of Warrants and ESOS to shares ('000)	119,228	119,228	119,228	119,228
Adjusted number of ordinary shares in issue and issuable ('000)	492,001	491,572	492,001	488,477
Basic (loss) / earnings per share (sen)	(2.21)	1.25	0.08	4.22
Diluted (loss) / earnings per share (sen)	(1.67)	0.95	0.06	3.19

B15 Profit before taxation

	Current Year Quarter 31/03/2019 RM'000 Unaudited	Current Year To-date 31/03/2019 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(212)	(675)
(Gain)/Loss on disposal of property, plant & equipment	(4)	(27)
Depreciation	3,111	8,712
Interest expense	1,128	3,486
Impairment of trade receivables	20,257	20,257
Write off of bad debts	15	15
Reversal of provision for liquidated damages	-	(2,630)
Additional/(Reversal) of provision for foreseeable loss	(76)	(172)
Unrealised (gain)/loss on foreign exchange	289	832
(Gain)/Loss on investment fund	(10)	(10)

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 23 May 2019.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
23 May 2019