

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 30 June 2019 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 March 2019	1,070,164	1,141,028
Repurchased during the quarter	-	-
Balance as at 30 June 2019	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 2018.

A10 Segmental reporting

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

12 months ended 30.06.19	← 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	168,370	80,448	78,277	7,020	1,490	162	(2,468)	333,299
Inter-segment sales	56,422	-	-	23,681	-	21,658	(101,761)	-
Total revenue	<u>224,792</u>	<u>80,448</u>	<u>78,277</u>	<u>30,701</u>	<u>1,490</u>	<u>21,820</u>	<u>(104,229)</u>	<u>333,299</u>
Results								
Profit/(Loss) from operation	(7,228)	73,655	18,138	229	78	17,687	(60,294)	42,265
Finance costs	(2,597)	(31)	(252)	(32)	(60)	-	-	(2,972)
Share of results in associates	-	2,812	-	-	-	-	-	2,812
Profit/(Loss) before tax	<u>(9,825)</u>	<u>76,436</u>	<u>17,886</u>	<u>197</u>	<u>18</u>	<u>17,687</u>	<u>(60,294)</u>	<u>42,105</u>
Total assets								
Segment assets/ Consolidated total assets	<u>200,526</u>	<u>51,852</u>	<u>184,158</u>	<u>9,463</u>	<u>1,372</u>	<u>424,739</u>	<u>(379,286)</u>	<u>492,824</u>

12 months ended 30.06.18	← 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	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>
Results								
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>
Total assets								
Segment assets/ Consolidated total assets	<u>223,793</u>	<u>58,770</u>	<u>197,921</u>	<u>8,786</u>	<u>645</u>	<u>408,910</u>	<u>(364,613)</u>	<u>534,212</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 30 June 2019.

A14 Changes in contingent liabilities

	The Group		The Company	
	As at 30.06.19 RM'000	As at 30.06.18 RM'000	As at 30.06.19 RM'000	As at 30.06.18 RM'000
Performance and tender bond granted to contract customers	50,559	70,389	-	-

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

B1 Review of performance

	Individual Period (4th quarter)			Cumulative Period		
	Current Year Quarter 30/06/2019 (RM'000)	Preceding Year Corresponding Quarter 30/06/2018 (RM'000)	Changes (%)	Current Year To-date 30/06/2019 (RM'000)	Preceding Year Corresponding Period 30/06/2018 (RM'000)	Changes (%)
Revenue	95,330	58,864	62	333,299	395,630	-16
Profit/(loss) from operation	20,934	5,375	289	42,265	60,432	-30
Profit/(loss) before interest and tax	21,165	5,862	261	45,077	61,784	-27
Profit/(loss) before tax	20,433	5,002	308	42,105	58,635	-28
Profit/(loss) after tax	14,950	2,939	409	26,929	40,952	-34
Profit/(loss) attributable to Owners of the Company	14,129	1,868	656	14,415	17,463	-17

During the current quarter, the Group recorded a higher revenue of RM95.3 million as compared to RM58.9 million in the preceding year corresponding quarter. The Group's profit before tax increased to RM20.4 million as compared to RM5.0 million in the preceding corresponding quarter. The higher revenue and profit before tax during the current quarter were mainly contributed by the Property Segment, Construction Segment and Timber and Logging Segment.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 June 2019 are as follow:

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 30/06/2019 (RM'000)	Preceding Year Corresponding Quarter 30/06/2018 (RM'000)	Changes (RM'000)	Current Year Quarter 30/06/2019 (RM'000)	Preceding Year Corresponding Period 30/06/2018 (RM'000)	Changes (RM'000)
<u>Segment</u>						
Construction	40,574	43,968	(3,394)	4,537	447	4,090
Logging & timber trading	16,166	11,583	4,583	5,495	3,230	2,265
Property development	36,860	3,139	33,721	10,392	1,964	8,428
Trading	1,269	(35)	1,304	(150)	(186)	NM
Logistic	385	151	234	565	263	302
Investment holding	76	58	18	(406)	(716)	NM
Total	95,330	58,864		20,433	5,002	

* NM = Non-meaningful

Construction Segment

For the current quarter, revenue decreased to RM40.6 million as compared to RM44.0 million in the preceding year corresponding quarter. The current quarter reported a lower revenue due to the completion of some projects which had contributed revenue in the preceding year corresponding quarter.

Profit before tax for the current quarter increased to RM4.5 million as compared to a profit before tax of RM0.4 million in the preceding year corresponding quarter. The increase was as a result from recognition of higher profit margin on some completed projects during the finalisation of account.

Logging and Timber Trading Segment

This segment recorded a higher revenue of RM16.2 million and profit before tax of RM5.5 million as compared to revenue of RM11.6 million and profit before tax of RM3.2 million in the preceding year corresponding quarter.

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

Property Development Segment

This segment recorded a higher revenue of RM36.9 million and profit before tax of RM10.4 million as compared to a revenue of RM3.1 million and profit before tax of RM2.0 million in the preceding year corresponding quarter.

The higher revenue and profit before tax for the current quarter were mainly due to higher work progress from Rica Residence @ Sentul development.

Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered a total revenue of RM1.7 million as compared to RM0.1 million in the preceding year corresponding quarter. With the higher revenue, the Trading and Logistic segments profit before tax improved by RM0.3 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 30/06/2019 (RM'000)	Immediate Preceding Quarter 31/03/2019 (RM'000)	Changes (%)
Revenue	95,330	70,404	35
Profit/(loss) from operation	20,934	(233)	9085
Profit/(loss) before interest and tax	21,165	471	4394
Profit/(loss) before tax	20,433	(253)	8173
Profit/(loss) after tax	14,950	(2,830)	628
Profit/(loss) attributable to Owners of the Company	14,129	(8,221)	272

For the current quarter ended 30 June 2019, the Group registered a higher revenue of RM95.3 million and profit before tax of RM20.4 million as compared to a revenue of RM70.4 million and a loss before tax of RM0.3 million in the preceding quarter ended 31 March 2019.

The increase in revenue and profit before tax were largely due to higher work progress being recognized in the Property Development segment. Meanwhile, the higher profit before tax were also contributed by the Construction segment from the result of higher profit margin being recognized on some of the completed projects during the finalisation of account.

However, during the current quarter there was an impairment of contract assets amounting to RM9.6 million being provided for the L'Marq project, Semenyih.

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 RM461.2 million (including RM45.7 million of internal projects). 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 Malaysia property market remains challenging but the Group is cautiously optimistic that the sale for Rica Residence @ Sentul is expected to reach 75%. As for Paragon, Melbourne project, the construction works are progressing smoothly. To date, about 90% of the units are sold. Efforts to sell the remaining units are ongoing until all units are completely sold. The launch for Rica Residence @ Kinrara, Puchong, will be delayed until 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 good. 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 30/06/2019 RM'000	3 months ended 30/06/2018 RM'000	12 months ended 30/06/2019 RM'000	12 months ended 30/06/2018 RM'000
Current period's provision	5,483	1,923	13,574	17,411
Under / (Over) provision for the prior years	-	105	289	151
	5,483	2,028	13,863	17,562
Deferred taxation	-	35	1,313	121
Under / (Over) provision for the prior years	-	-	-	-
	5,483	2,063	15,176	17,683

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 2019 were as follows :

	RM'000
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 June 2019		30 June 2018	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
<u>Secured</u>				
Term loan	33,824	4,500	38,313	29,209
Hire purchase	1,673	3,465	905	2,255
Invoice Finance	6,907	-	-	-
Bankers Acceptance	-	-	7,386	-
Revolving Credit	12,078	-	25,000	-
	54,482	7,965	71,604	31,464

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 30 June 2019.

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 30/06/2019 RM'000
Not past due	30,265
Past due:	
- less than 3 months	13,314
- 3 to 6 months	630
- over 6 months	3,323
- more than 1 year	29,910
	<u><u>77,442</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. (a wholly owned subsidiary of the Fajarbaru Builder Group Berhad) ("FBSB") was served with a Solicitor Letter of agreeable to resolve their differences and disputes by way of arbitration proceedings to Shaw Plaza Sdn. Bhd. ("SPSB").

The Solicitor Letter to SPSB to refer the disputes or differences arising from the Contract and Mutual Termination Agreement dated 25 May 2015 ("MTA"), relating to the Shaw Parade Project to arbitration. FBSB has indicated to SPSB that they have a claim against SPSB amounting to RM22.8 million, in addition to other damages, costs, interests and other expense claims.

B13 Dividend

No dividends were declared for the fourth quarter ended 30 June 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 30/06/2019 RM'000	3 months Ended 30/06/2018 RM' 000	12 months Ended 30/06/2019 RM000	12 months Ended 30/06/2018 RM'000
Net profit attributable to Owners of the Company	14,129	1,868	14,415	17,463
Weighted Average Number of shares at the end of the period ('000)	372,773	372,773	372,773	370,127
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	492,001	492,001	489,355
Basic (loss) / earnings per share (sen)	3.79	0.50	3.87	4.72
Diluted (loss) / earnings per share (sen)	2.87	0.38	2.93	4.55

B15 Profit before taxation

	Current Year Quarter 30/06/2019 RM'000 Unaudited	Current Year To-date 30/06/2019 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(222)	(897)
(Gain)/Loss on disposal of property, plant & equipment	1	(26)
Depreciation	3,528	12,240
Interest expense	872	4,358
Impairment loss on contract assets	9,609	9,609
Impairment of trade receivables	-	20,257
Write off of bad debts	-	15
Provision for impairment of receivables	1,291	1,291
Reversal of provision for liquidated damages	(1,147)	(3,777)
Additional/(Reversal) of provision for foreseeable loss	(144)	(316)
Unrealised (gain)/loss on foreign exchange	(103)	729
Unrealised (gain)/loss on investment fund	1	(9)

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 29 August 2019.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
29 August 2019