

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 2019. 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 2019.

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 2019, except for the adoption of the following new and revised MFRSs, IC Interpretations and Amendments which are effective from the annual period on or after 1 January 2019:-

Standard	Title
MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Financial Instruments- Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 119	Employee Benefits- Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures

The adoption of the above new accounting standards, interpretations and amendments does not have any material impact on the financial statements 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:

<i>Standard</i>	<i>Title</i>
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to Reference to the Conceptual Framework in MFRSs	

The Group will apply the above MFRSs, Amendments/Improvements to MFRSs and IC Interpretations that are applicable once they become effective. The adoption of the above MFRSs, Amendments/Improvements to MFRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group.

A3 Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the year ended 30 June 2019 was not subject to any qualification.

A4 Seasonal or cyclical factors

The operations of the Group are not subject to seasonality / cyclicity of operations.

A5 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.

A6 Changes in estimates

Not applicable.

A7 Significant related party transactions

There were no significant related party transactions during the financial period under review.

A8 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 December 2019 are as follow:

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

A9 Dividend paid

An interim single tier dividend of 1.5 sen per ordinary share amounting to RM5,592,179.91 in respect of the financial year ending 30 June 2020 was paid on 30 December 2019.

A10 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 2019.

A11 Segmental reporting

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

6 months ended 31.12.19	← 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	97,384	15,130	33,557	5,717	611	168	1,293	153,860
Inter-segment sales	22,552	-	-	6,481	-	8,405	(37,438)	-
Total revenue	<u>119,936</u>	<u>15,130</u>	<u>33,557</u>	<u>12,198</u>	<u>611</u>	<u>8,573</u>	<u>(36,145)</u>	<u>153,860</u>
Results								
Profit/(Loss) from operation	35,604	14,801	4,034	(8)	(74)	6,326	(20,119)	40,564
Finance costs	(1,335)	(10)	(10,678)	(2)	(27)	-	-	(12,052)
Share of results in associates	-	(324)	-	-	-	-	-	(324)
Profit/(Loss) before tax	<u>34,269</u>	<u>14,467</u>	<u>(6,644)</u>	<u>(10)</u>	<u>(101)</u>	<u>6,326</u>	<u>(20,119)</u>	<u>28,188</u>
Total assets								
Segment assets/ Consolidated total assets	<u>249,374</u>	<u>38,874</u>	<u>173,572</u>	<u>11,501</u>	<u>1,179</u>	<u>432,149</u>	<u>(393,040)</u>	<u>513,609</u>

6 months ended 31.12.18	← 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	99,855	40,259	22,897	4,869	615	71	(1,001)	167,565
Inter-segment sales	20,376	-	-	14,197	-	8,789	(43,362)	-
Total revenue	<u>120,231</u>	<u>40,259</u>	<u>22,897</u>	<u>19,066</u>	<u>615</u>	<u>8,860</u>	<u>(44,363)</u>	<u>167,565</u>
Results								
Profit/(Loss) from operation	1,691	33,204	3,970	464	(26)	6,468	(24,206)	21,565
Finance costs	(1,305)	(16)	(138)	(29)	(29)	-	-	(1,517)
Share of results in associates	-	1,878	-	-	-	-	-	1,878
Profit/(Loss) before tax	<u>386</u>	<u>35,066</u>	<u>3,832</u>	<u>435</u>	<u>(55)</u>	<u>6,468</u>	<u>(24,206)</u>	<u>21,926</u>
Total assets								
Segment assets/ Consolidated total assets	<u>162,031</u>	<u>56,552</u>	<u>154,770</u>	<u>10,808</u>	<u>330</u>	<u>49,133</u>	<u>88,170</u>	<u>521,794</u>

A12 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.

A13 Changes in composition of the Group

There were no changes in the composition of the Group during the financial quarter under review.

A14 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>	31 December 2019
	RM'000
Approved and contracted for	
- Denominated in RM	<u>2,107</u>

A15 Changes in contingent liabilities

	The Group		The Company	
	As at 31.12.19 RM'000	As at 30.06.19 RM'000	As at 31.12.19 RM'000	As at 30.06.19 RM'000
Performance and tender bond granted to contract customers	56,294	50,655	-	-

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

B1 Review of performance

	Individual Period (2nd quarter)			Cumulative Period		
	Current Year Quarter 31/12/2019 (RM'000)	Preceding Year Corresponding Quarter 31/12/2018 (RM'000)	Changes (%)	Current Year To-date 31/12/2019 (RM'000)	Preceding Year Corresponding Period 31/12/2018 (RM'000)	Changes (%)
Revenue	103,467	62,479	66	153,860	167,565	-8
Profit/(loss) from operation	41,524	12,326	237	40,564	21,564	88
Profit/(loss) before interest and tax	41,392	12,866	222	40,240	23,442	72
Profit/(loss) before tax	30,036	12,119	148	28,188	21,926	29
Profit/(loss) after tax	23,243	7,455	212	20,424	14,810	38
Profit/(loss) attributable to Owners of the Company	23,023	3,773	510	20,826	8,508	145

During the current quarter, the Group recorded a higher revenue of RM103.5 million as compared to RM62.5 million in the preceding year corresponding quarter. The Group's profit before tax increased to RM30.0 million as compared to RM12.1 million in the preceding year corresponding quarter. The higher revenue and profit before tax during the current quarter were mainly attributed to the increase in revenue of Construction segment, despite a decline in revenue from Logging and Timber Trading Segment in the current quarter as compared to preceding year corresponding quarter.

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

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 31/12/2019 (RM'000)	Preceding Year Corresponding Quarter 31/12/2018 (RM'000)	Changes (RM'000)	Current Year Quarter 31/12/2019 (RM'000)	Preceding Year Corresponding Period 31/12/2018 (RM'000)	Changes (RM'000)
<u>Segment</u>						
Construction	75,111	25,178	49,933	36,464	(429)	36,893
Logging & timber trading	9,753	22,521	(12,768)	2,102	11,103	(9,001)
Property development	14,466	12,624	1,842	(8,249)	2,591	(10,840)
Trading	3,748	1,747	2,001	119	196	(77)
Logistic	305	360	(55)	(107)	(43)	NM
Investment holding	84	49	35	(293)	(1,299)	NM
Total	103,467	62,479		30,036	12,119	

* NM = Non-meaningful

Construction Segment

For the current quarter, revenue increased to RM75.1 million as compared to RM25.2 million in the preceding year corresponding quarter. Correspondingly, with the increase in the revenue, the Segment has also recorded a profit before tax of RM36.4 million in the current quarter as compared to a loss before tax of RM0.4 million in the preceding year corresponding quarter.

The higher revenue and profit before tax for the current quarter was mainly derived from recognition of higher profit margin upon conclusion of final account.

Logging and Timber Trading Segment

This segment recorded a lower revenue and profit before tax of RM9.8 million and RM2.1 million respectively as compared to a revenue of RM22.5 million and profit before tax of RM11.1 million in the preceding year corresponding quarter.

The decreased in revenue and profit before tax were mostly due to lesser working block in production. In addition, it is also due to lower production as a result of poor weather conditions which affected supply.

Property Development Segment

This segment recorded a revenue and loss before tax of RM14.4 million and RM8.2 million respectively as compared to a revenue of RM12.6 million and profit before tax of RM2.6 million in the preceding year corresponding quarter.

For the current quarter, revenue increased by RM1.8 million as compared to the preceding year corresponding quarter. However, the profit before tax decreased by RM10.8 million which resulted in a loss before tax for the current quarter as compared to the preceding year corresponding quarter. This was mainly due to the reversal of interest expenses and other borrowing related costs of RM10.7 million which was previously being capitalized, in compliance with the amendments required in the accounting standard, MFRS 123 Borrowing Costs.

Trading and Logistic Segments

For the current quarter, the Trading and Logistic segments registered total revenue of RM4.1 million as compared to RM2.1 million in the preceding year corresponding quarter. However, Trading and Logistic segments registered a loss before tax for the current quarter, mainly due to lower profit margin being obtained from the trade of construction material.

B2 Variation of result against preceding quarter

	Current Year Quarter 31/12/2019 (RM'000)	Immediate Preceding Quarter 30/09/2019 (RM'000)	Changes (%)
Revenue	103,467	50,393	105
Profit/(loss) from operation	41,524	(961)	4421
Profit/(loss) before interest and tax	41,392	(1,152)	3692
Profit/(loss) before tax	30,036	(1,848)	1725
Profit/(loss) after tax	23,243	(2,819)	924
Profit/(loss) attributable to Owners of the Company	23,023	(2,197)	1148

For the current quarter ended 31 December 2019, the Group registered a higher revenue of RM103.5 million and a profit before tax of RM30.0 million as compared to a revenue of RM50.4 million and a loss before tax of RM1.8 million in the preceding quarter ended 30 September 2019.

The increase in revenue and profit before tax was mainly derived from recognition of higher profit margin upon conclusion of final account in the Construction segment.

B3 Current year prospects

The Group's Construction segment will continue to develop through financial year 2020, focusing on our current order book of approximately RM428.2 million (including RM23.2 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 sales of Rica Residence @ Sentul is at 74%. We are optimistic the sales will improve once the project is completed which is expected to be in second quarter of the year. On Rica Residence Puchong, the launch will be delayed further until market condition improves. In Melbourne, the sales rate is at 92% and construction works are progressing well and schedule to complete end of the year. Ongoing efforts to sell the remaining units are in progress.

For timber industry, contribution of revenue is anticipated to be lower due to the lesser acreage of working blocks left to log and the production of the current working blocks is almost to its end. However, our associate company with a remaining 75% of working block yet to be logged will continue to contribute to the Group earnings in the future.

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	3 months ended	6 months ended	6 months ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Current period's provision	5,556	3,352	6,527	5,730
Under / (Over) provision for the prior years	1,237	-	1,237	74
	6,793	3,352	7,764	5,804
Deferred taxation	-	1,312	-	1,312
Under / (Over) provision for the prior years	-	-	-	-
	6,793	4,664	7,764	7,116

Taxation is computed after taking into consideration the available capital allowances and the adjusted business losses carried forward from previous years to set off against taxable profit.

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 December 2019 were as follows :

RM'000

At cost	11,822
At market value	
- Shares	8,643
- Warrants	2,741

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 December 2019		31 December 2018	
	Short term	Long term	Short term	Long term
<u>Secured</u>	RM'000	RM'000	RM'000	RM'000
Term loan	19,496	-	39,954	23,969
Hire purchase	1,908	2,520	1,714	3,961
Invoice Finance	7,686	-	1,139	-
Revolving Credit	44,900	-	-	-
	73,990	2,520	42,807	27,930

B10 Off balance sheet financial instruments

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

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 31/12/2019 RM'000
Not past due	94,693
Past due:	
- less than 3 months	3,128
- 3 to 6 months	2,317
- over 6 months	753
- more than 1 year	18,103
	<u>118,994</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

There were no any other proceeding, pending or threatened litigation or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group as at 31 December 2019 except as disclosed in the following:-

- a) Fajarbaru Builder Sdn. Bhd. (“Claimant”) vs Tan Wee Meng (“Respondent”)**
The Claimant had filed a Claimant’s Statement of Case dated 13 December 2019 against the Respondent for a sum of RM10,000,000.00 (“the Claim”).

The Claim was made pursuant to a Director’s Guarantee dated 8 August 2017 given by the Respondent in favour of the Claimant, whereby the Respondent irrevocably and unconditionally undertook to immediately pay on demand to the Claimant any amount due and owing by TYL Land & Development Sdn Bhd (“TYL Land”), up to the maximum guarantee amount of RM10,000,000.00, in respect of the whole of the obligations of TYL Land in relation to the Podium Block works of L’Marq Semenyih Project carried out by the Claimant.

- b) Fajarbaru Builder Sdn. Bhd. (“Claimant”) vs Shaw Plaza Sdn. Bhd. (“Respondent”)**

On 19 April 2019, the Claimant was served with a Solicitor Letter of agreeable to resolve their differences and disputes by way of arbitration proceedings to the Respondent.

The Solicitor Letter to the Respondent 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. The Claimant has indicated to the Respondent that they have a claim against the Respondent amounting to RM22.8 million, in addition to other damages, costs, interests and other expense claims.

B13 Dividend

No dividend were declared for the second quarter ended 31 December 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 31/12/2019 RM'000	3 months Ended 31/12/2018 RM' 000	6 months Ended 31/12/2019 RM000	6 months Ended 31/12/2018 RM'000
Net profit attributable to Owners of the Company	23,023	3,773	20,826	8,508
Weighted Average Number of shares at the end of the period ('000)	372,812	372,773	372,794	372,773
Weighted Average Number of shares of conversion of ESOS to shares ('000)	*	119,228	*	119,228
Adjusted number of ordinary shares in issue and issuable ('000)	372,812	492,001	372,794	492,001
Basic (loss) / earnings per share (sen)	6.18	1.01	5.59	2.28
Diluted (loss) / earnings per share (sen)	6.18	0.77	5.59	1.73

* The Group has no dilution in its earnings per shares in the current financial period as the Employees' Share Option Scheme (“ESOS”) has been expired on 17 December 2019.

B15 **Profit before taxation**

	Current Year Quarter 31/12/2019 RM'000 Unaudited	Current Year To-date 31/12/2019 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(212)	(430)
Depreciation	3,365	6,717
Interest expense	752	1,389
Unrealised (gain)/loss on foreign exchange	(342)	344
Unrealised (gain)/loss on investment fund	5	(10)

B16 **Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 27 February 2020.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
27 February 2020