

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 March 2020 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 31 December 2019	1,070,164	1,141,028
Repurchased during the quarter	400,000	88,208
Balance as at 31 Mach 2020	1,470,164	1,229,235

The shares purchased are being held as treasury shares in accordance with Section 127 (16) of the Companies Act, 2016.

A9 Dividend paid

There were no dividend paid during the current quarter.

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:-

9 months ended 31.03.20	← 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	128,111	24,884	41,054	10,533	933	200	1,259	206,974
Inter-segment sales	28,113	-	-	9,713	-	9,165	(46,991)	-
Total revenue	<u>156,224</u>	<u>24,884</u>	<u>41,054</u>	<u>20,246</u>	<u>933</u>	<u>9,365</u>	<u>(45,732)</u>	<u>206,974</u>
Results								
Profit/(Loss) from operation	33,677	19,221	3,130	118	(140)	4,301	(20,099)	40,208
Finance costs	(1,786)	(14)	(10,760)	(3)	(39)	-	-	(12,602)
Share of results in associates	-	(389)	-	-	-	-	-	(389)
Profit/(Loss) before tax	<u>31,891</u>	<u>18,818</u>	<u>(7,630)</u>	<u>115</u>	<u>(179)</u>	<u>4,301</u>	<u>(20,099)</u>	<u>27,217</u>
Total assets								
Segment assets/ Consolidated total assets	<u>230,142</u>	<u>36,439</u>	<u>161,813</u>	<u>11,660</u>	<u>1,123</u>	<u>425,615</u>	<u>(370,071)</u>	<u>496,721</u>

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>

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 March 2020 RM'000
Approved and contracted for - Denominated in RM	<u>45</u>

A15 Changes in contingent liabilities

	The Group		The Company	
	As at 31.03.20 RM'000	As at 30.06.19 RM'000	As at 31.03.20 RM'000	As at 30.06.19 RM'000
Performance and tender bond granted to contract customers	55,093	50,655	-	-

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

B1 Review of performance

	Individual Period (3rd quarter)			Cumulative Period		
	Current Year Quarter 31/03/2020 (RM'000)	Preceding Year Corresponding Quarter 31/03/2019 (RM'000)	Changes (%)	Current Year To-date 31/03/2020 (RM'000)	Preceding Year Corresponding Period 31/03/2019 (RM'000)	Changes (%)
Revenue	53,114	70,404	-25	206,974	237,969	(13)
Profit/(loss) from operation	(356)	(233)	53	40,208	21,331	88
Profit/(loss) before interest and tax	(421)	471	-189	39,819	23,913	67
Profit/(loss) before tax	(971)	(253)	284	27,217	21,673	26
Profit/(loss) after tax	6,656	(2,830)	-335	27,080	11,980	126
Profit/(loss) attributable to Owners of the Company	3,366	(8,221)	-141	24,192	287	8329

In the current nine (9) months financial period, the Group recorded a decrease of 13% in revenue as compared to the same period last financial year. For the current year quarter, the Group recorded a revenue of RM53.1 million compared to RM70.4 million in the preceding year corresponding quarter; a decrease of 25%.

The decreased in revenue of 25% are mainly from the Property Development Segment and Logging and Timber Trading Segment. The Property Development Segment recorded a decrease of 56.2% in revenue for current year quarter in comparison to the preceding year corresponding quarter; from RM17.1 million in the preceding year corresponding quarter to RM7.5 million in the current year quarter. Similarly, the Logging and Timber Trading Segment also recorded a decrease in revenue; from RM24.0 million in the preceding year corresponding quarter to RM9.8 million in the current year quarter.

Detailed analysis of the performance for the respective operating business segments for the period ended 31 March 2020 are as follow:

	Revenue			Profit / (Loss) before tax		
	Current Year Quarter 31/03/2020 (RM'000)	Preceding Year Corresponding Quarter 31/03/2019 (RM'000)	Changes (RM'000)	Current Year Quarter 31/03/2020 (RM'000)	Preceding Year Corresponding Quarter 31/03/2019 (RM'000)	Changes (RM'000)
<i>Segment</i>						
Construction	30,727	27,942	2,785	(2,967)	(16,953)	NM
Logging & timber trading	9,754	24,023	(14,269)	4,436	12,348	(7,912)
Property development	7,463	17,053	(9,590)	87	5,602	(5,515)
Trading	4,816	882	3,934	103	(360)	463
Logistic	322	489	(167)	(137)	123	(260)
Investment holding	32	15	17	(2,493)	(1,013)	NM
Total	53,114	70,404		(971)	(253)	

* NM = Non-meaningful

Construction Segment

Revenue contribution from the Construction Segment continues to be the main source of the Group's revenue. In this segment, the revenue improved from preceding year corresponding quarter in comparison with the current year quarter; from RM27.9 million to RM30.7 million. The increase in revenue is due to works from construction projects awarded in the current financial year – Duta Park Residences and Setiawangsa-Pantai Expressway Duke 3 (S1, S4 and 5F).

The loss before tax has also decreased from the preceding year corresponding quarter compared to the current year quarter; from a loss of RM17.0 million to a loss of RM3.0 million in the current year quarter. The main reason for the decrease was due to a one-off provision of impairment of trade receivables amounted RM20.3 million which was recognized in the previous year corresponding quarter.

Logging and Timber Trading Segment

For the Logging and Timber Trading Segment, the revenue decreased from preceding year corresponding quarter compared to the current year quarter; from RM24.0 million to RM9.8 million. The profit before tax for the current year quarter is RM4.4 million as compared to RM12.3 million in the preceding year corresponding quarter.

The decrease in both revenue and profit before tax were due to lesser acreage of production block in the current financial year as well as a balance of only 8.2% (approximately 2,300 acres) that is yet to be logged.

Property Development Segment

In the Property Development Segment, the revenue decreased from preceding year corresponding quarter compared to the current year quarter; from RM17.1 million to RM7.5 million. The profit before tax also recorded a decrease for the three (3) months period, RM5.6 million in the preceding year corresponding quarter as compared to RM0.1 million in the current year quarter.

The lower revenue and profit before tax were due to the lesser work progress from its existing project, Rica Residence @ Sentul as it is nearing its completion stage.

Trading and Logistic Segments

For the Trading Segment, revenue increased from the preceding year corresponding quarter as compared to the current year quarter; from RM0.9 million to RM4.8 million. The segment recorded a profit before tax in the current year quarter, RM0.1 million as compared to a loss before tax of RM0.4 million in the preceding year corresponding quarter. The increase in both revenue and profit before tax for the Trading Segment is partly due to the increase in purchase of construction materials for on-going projects in the construction segment.

In the Logistic Segment, revenue has decreased in the current year quarter as compared to the preceding year corresponding quarter; from RM0.5 million to RM0.3 million. The segment recorded a loss before tax of RM0.1 million for the current year quarter as compared to a profit before tax of RM0.1 million in the preceding year corresponding quarter. The loss before tax and the decrease in revenue in the Logistic Segment is due to the lower sales volume in the Timber and Logging Segment which inevitably affected the volume of transportation.

B2 Variation of result against preceding quarter

	Current Year Quarter 31/03/2020 (RM'000)	Immediate Preceding Quarter 31/12/2019 (RM'000)	Changes (%)
Revenue	53,114	103,467	(49)
Profit/(loss) from operation	(356)	41,524	(101)
Profit/(loss) before interest and tax	(421)	41,392	(101)
Profit/(loss) before tax	(971)	30,036	(103)
Profit/(loss) after tax	6,656	23,243	(71)
Profit/(loss) attributable to Owners of the Company	3,366	23,023	(85)

For the current quarter ended 31 March 2020, the Group registered a lower revenue of RM53.1 million and a loss before tax of RM1.0 million as compared to a revenue of RM103.5 million and a profit before tax of RM30.0 million in the previous quarter ended 31 December 2019.

The reason for the lower revenue in the current quarter as compared to the previous quarter was mainly due to recognition of higher revenue and profit margin from the conclusion of final account in the previous quarter for the Construction segment.

B3 Current year prospects

The Group's Construction segment will continue to develop through Year 2020, focusing on our current order book of approximately RM392.9 million (including RM17.8 million of internal projects). The MCO and CMCO (Conditional Movement Control Order) has also impacted the construction industry as a whole and there will be uncertainties in the Construction segment in the short to mid-term. Having successfully completed past rail-related and infrastructure projects, the Group is capable and will continue its efforts to bid for future rail construction jobs as well as infrastructure works.

The MCO has affected the overall progress of Rica Residence @ Sentul project. However, the Group expects the current situation to resume normalcy once all sectors of the economy restart operations. During the period of inactivity, construction work progress and sales (74%) remained largely unchanged. New projects planned for launch this year will be further delayed until market condition improves. In Melbourne, the sales rate is at 92% and construction works are progressing well and scheduled to complete by the 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 70% (approximately 14,000 acres) of working block that yet to be logged will continue to contribute to the Group's earnings in the future.

Looking forward, the Covid-19 pandemic would significantly impact the Malaysian economic outlook for 2020 as strict measures to contain the spread will affect domestic growth. Bank Negara announced that GDP is projected at between -2.0% to +0.5% in 2020 brought about by the pandemic. The country's economy is only expected to rebound in 2021 yet risks will remain as the Covid-19 situation is unprecedented. While the Group's operations have been adversely affected, 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 Insolvency, Wilayah Persekutuan was appointed as liquidator for both companies.

B6 Income tax

Income tax includes:

	Individual Quarter		Cumulative Quarter	
	3 months ended 31/03/2020 RM'000	3 months ended 31/03/2019 RM'000	9 months ended 31/03/2020 RM'000	9 months ended 31/03/2019 RM'000
Current period's provision	(2,967)	2,372	3,560	8,091
Under / (Over) provision for the prior years	(4,660)	215	(3,423)	289
	(7,627)	2,587	137	8,380
Deferred taxation	-	-	-	1,313
Under / (Over) provision for the prior years	-	-	-	-
	(7,627)	2,587	137	9,693

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 March 2020 were as follows :

	RM'000
At cost	11,822
At market value	
- Shares	7,072
- Warrants	1,566

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 2020		31 March 2019	
	Short term	Long term	Short term	Long term
<u>Secured</u>	RM'000	RM'000	RM'000	RM'000
Term loan	12,151	-	36,022	10,366
Hire purchase	1,908	2,105	1,673	3,884
Invoice Finance	4,317	-	2,142	-
Revolving Credit	44,900	-	12,743	-
	63,276	2,105	52,580	14,250

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 31 March 2020.

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 31/03/2020 RM'000
Not past due	28,231
Past due:	
- less than 3 months	4,794
- 3 to 6 months	2,827
- over 6 months	466
- more than 1 year	10,716
	47,035

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 March 2020 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 third quarter ended 31 March 2020.

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 31/03/2020 RM'000	3 months Ended 31/03/2019 RM' 000	9 months Ended 31/03/2020 RM000	9 months Ended 31/03/2019 RM'000
Net profit attributable to Owners of the Company	3,366	(8,221)	24,192	287
Weighted Average Number of shares at the end of the period ('000)	372,790	372,773	372,793	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)	372,790	492,001	372,793	492,001
Basic (loss) / earnings per share (sen)	0.90	(2.21)	6.49	0.08
Diluted (loss) / earnings per share (sen)	0.90	(1.67)	6.49	0.06

* 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 31/03/2020 RM'000 Unaudited	Current Year To-date 31/03/2020 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(240)	(670)
Depreciation	3,366	10,083
Interest expense	560	1,949
Unrealised (gain)/loss on foreign exchange	1,953	2,297
Unrealised (gain)/loss on investment fund	(4)	(14)

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 18 June 2020.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
18 June 2020