

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 2020. 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 2020.

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 2020, 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 2020:-

Standard	Title
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101, MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

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 2020:

<i>Standard</i>	<i>Title</i>
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 AND MFRS 16	Interest Rate Benchmark Reform – Phase 2

A2.1 Amendments to MFRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group (Cond't) :

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 16	COVID-19 – Related Rent Concessions
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020	

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 2020 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 30 September 2020 are as follow:

	Number of Treasury shares	Total Considerations RM
Balance as at 30 June 2020	3,075,764	1,654,910
Repurchased during the quarter	-	-
Balance as at 30 September 2020	3,075,764	1,654,910

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 September 2020.

A11 Segmental reporting

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

3 months ended 30.09.20	← 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	20,164	16,996	7,083	215	602	15	4,198	49,273
Inter-segment sales	2,627	-	-	2,446	-	3,907	(8,980)	-
Total revenue	22,791	16,996	7,083	2,661	602	3,922	(4,782)	49,273
Results								
Profit/(Loss) from operation	(2,337)	15,285	2,914	(174)	148	3,021	(6,261)	12,596
Finance costs	(96)	-	(19)	(15)	-	-	-	(130)
Share of results in associates	-	620	-	-	-	-	-	620
Profit/(Loss) before tax	(2,433)	15,905	2,895	(189)	148	3,021	(6,261)	13,086
Total assets								
Segment assets/ Consolidated total assets	133,279	30,299	149,388	6,841	685	77,769	50,860	449,120

3 months ended 30.09.19	← 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	22,273	5,377	20,204	1,969	306	84	180	50,393
Inter-segment sales	12,442	-	-	2,314	-	6,370	(21,126)	-
Total revenue	34,715	5,377	20,204	4,283	306	6,454	(20,946)	50,393
Results								
Profit/(Loss) from operation	(2,305)	10,149	3,691	(103)	(39)	4,803	(17,156)	(960)
Finance costs	(674)	(6)	(1)	(1)	(14)	-	-	(696)
Share of results in associates	-	(192)	-	-	-	-	-	(192)
Profit/(Loss) before tax	(2,979)	9,951	3,690	(104)	(53)	4,803	(17,156)	(1,848)
Total assets								
Segment assets/ Consolidated total assets	185,480	40,421	181,341	6,958	1,243	432,141	(376,308)	471,276

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 for the current 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>	30 September 2020 RM'000
Approved and contracted for - Denominated in RM	<u>8,821</u>

A15 Changes in contingent liabilities

	The Group		The Company	
	As at 30.09.20 RM'000	As at 30.06.20 RM'000	As at 30.09.20 RM'000	As at 30.06.20 RM'000
Performance and tender bond granted to contract customers	54,963	54,993	-	-

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

B1 Review of performance

	Individual Period (1st quarter)			Cumulative Period		
	Current Year	Preceding Year	Changes	Current Year	Preceding Year	Changes
	Quarter 30/09/2020 (RM'000)	Corresponding Quarter 30/09/2019 (RM'000)	(%)	To-date 30/09/2020 (RM'000)	Corresponding Period 30/09/2019 (RM'000)	(%)
Revenue	49,273	50,393	(2)	49,273	50,393	(2)
Profit/(loss) from operation	12,597	(961)	1411	12,597	(961)	1411
Profit/(loss) before interest and tax	13,216	(1,152)	1247	13,216	(1,152)	1247
Profit/(loss) before tax	13,086	(1,848)	808	13,086	(1,848)	808
Profit/(loss) after tax	9,255	(2,819)	428	9,255	(2,819)	428
Profit/(loss) attributable to Owners of the Company	5,812	(2,197)	365	5,812	(2,197)	365

During the current quarter, the Group recorded a lower revenue of RM49.3 million as compared to RM50.4 million in the preceding year corresponding quarter. The lower revenue of 2% were mainly attributed to the Property Development, Construction and Trading segment. The Group's profit before tax was RM13.1 million in the current quarter as compared to a loss before tax of RM1.8 million in the preceding year corresponding quarter. The increase in profit before tax during the current quarter were mainly attributed to the Property Development and Logging and Timber Trading Segments which recorded RM16.7 million as compared to RM3.5 million in same quarter preceding year.

Detailed analysis of the performance for the respective operating business segments for the period ended 30 September 2020 are as follow:

<i>Segment</i>	Revenue			Profit / (Loss) before tax		
	Current Year	Preceding Year	Changes	Current Year	Preceding Year	Changes
	Quarter 30/09/2020 (RM'000)	Corresponding Quarter 30/09/2019 (RM'000)	(RM'000)	Quarter 30/09/2020 (RM'000)	Corresponding Quarter 30/09/2019 (RM'000)	(RM'000)
Construction	20,164	22,273	(2,109)	(3,154)	(3,931)	NM
Logging & timber trading	16,996	5,377	11,619	9,993	(1,468)	11,461
Property development	11,281	20,384	(9,103)	6,661	4,926	1,735
Trading	215	1,969	(1,754)	(123)	(81)	NM
Logistic	602	306	296	92	(106)	198
Investment holding	15	84	(69)	(383)	(1,188)	NM
Total	49,273	50,393		13,086	(1,848)	

* NM = Non-meaningful

Construction Segment

For the current quarter, revenue decreased to RM20.2 million; as compared to RM22.3 million in the preceding year corresponding quarter. The segment recorded a loss before tax of RM3.2 million in the current quarter as compared to a loss before tax of RM3.9 million in the preceding year corresponding quarter.

The lower revenue and loss before tax for the current quarter was due to the Jerantut-Gua Musang rail rehabilitation project which did not have much activities due to near completion stage as well as Duke 3 projects which have been novated. Duta Park project recorded a higher revenue in the current quarter as compared to the previous corresponding quarter as the project was in its initial stage then.

Logging and Timber Trading Segment

The Logging and Timber Trading segment recorded a higher revenue of RM17.0 million for the current quarter as compared to the preceding year same quarter of RM5.3 million due to the higher production and higher selling price of timber. As a result there is an increase in profit before tax of RM10.0 million in the current quarter as compared to a loss before tax of RM1.5 million in the preceding year same quarter.

Property Development Segment

The Property Development Segment recorded a revenue and profit before tax of RM11.3 million and RM6.7 million respectively as compared to a revenue of RM20.4 million and profit before tax of RM5.0 million in the preceding year corresponding quarter.

For the current quarter, revenue decreased by RM9.1 million as compared to the preceding year corresponding quarter. However, the profit before tax increased by RM1.7 million. The decrease in revenue was a result of lesser work progress for Rica Residence @ Sentul development as it is almost in its completion stage and certificate of practical completion (CPC) was issued on 15 September 2020. The increase in profit before tax was due to revision and finalisation on construction cost of Rica Residence @ Sentul.

Trading and Logistic Segments

For the current quarter, the Trading Segment registered a revenue of RM0.2 million as compared to the same quarter preceding year of RM2.0 million. The segment recorded a loss before tax of RM0.1 million as compared a loss before tax in the same quarter preceding year of RM0.08 million. The lower revenue for the current quarter was due to lower procurement from the Construction Segment.

The Logistic Segment registered a revenue of RM0.6 million as compared to RM0.3 million in the preceding year corresponding quarter. It recorded a profit before tax of RM0.09 million in the current year as compared to a loss of RM0.1 million in the preceding year same quarter. The increase in revenue is in concurrence with the increase in the Logging and Timber Trading Segment as the Logistic Segment provides services to the segment.

B2 Variation of result against preceding quarter

	Current Year Quarter 30/09/2020 (RM'000)	Immediate Preceding Quarter 30/06/2020 (RM'000)	Changes (%)
Revenue	49,273	27,633	78
Profit/(loss) from operation	12,597	(26)	48548
Profit/(loss) before interest and tax	13,216	965	1270
Profit/(loss) before tax	13,086	11,041	19
Profit/(loss) after tax	9,255	9,082	2
Profit/(loss) attributable to Owners of the Company	5,812	8,250	(30)

For the current quarter of 30 September 2020, the Group registered a higher revenue of RM49.3 million and a profit before tax of RM13.1 million as compared to a revenue of RM27.6 million and a profit before tax of RM11.0 million in the preceding quarter ended 30 June 2020.

The increase in revenue and profit before tax is primarily due to the Logging and Timber Trading Segment and Property Development Segment.

B3 Current year prospects

Bank Negara reported that the Malaysian construction industry declined to a negative 12.4% in the third quarter of 2020, an improvement from negative 44.5% in second quarter and this is attributed to the resumption of projects across all subsectors. In the short to mid-term, there will be still uncertainties in the construction industry. A total of RM15 billion being allocated in the Budget 2021 to fund key transport infrastructure projects which include the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking and Phase 1 of the Klang Valley Double-Tracking projects are vital for the industry's recovery from Covid-19. The Group's Construction segment will continue to focus on our current order book of approximately RM402.5 million and will continue its effort to bid for future rail construction and infrastructure works.

The Group is fairly optimistic that sales of the remaining units of Rica Residence @ Sentul will improve with buyer-centric incentives initiated by the government, under the new short-term Economic Recovery Plan or PENJANA such as reintroduction of Home Ownership Campaign (HOC), Real Property Gains Tax (RPGT) exemption and the relaxation of the current 70% financing margin limit for third housing loan onwards. Sales of Rica Residence @ Sentul remained at 74% and the development is scheduled for completion in early 2021. Fajarbaru will continue to hold on to our landbanks and launch new developments subject to market improvements. Sales rate for our Melbourne project, Paragon remained at 92% and construction works are progressing well and scheduled to complete by early 2021. Ongoing efforts to sell the remaining units are in progress.

In the Logging and Timber Trading segment, the Group's contribution of revenue is projected to be lower due to lesser acreage of working blocks left to log. However, we have approximately 14,000 acres left of working block from our associate company yet to be logged and this will continue to contribute to the Group's earnings in the future.

Malaysia's GDP shrank to a negative 2.7% in the third quarter of 2020 compared to a sharper negative 17.1% in the second quarter of 2020 as reported by Bank Negara. The improved performance was largely reflected impact of the reopening of the economy from Recovery Movement Control Order. The recent resurgence of COVID-19 cases and targeted containment measures could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures (SOPs), the impact is expected to be less severe compared to the containment measures during previous periods. The Malaysian economy is expected to improve further going into 2021 in tandem with better global demand and domestic policy support. While the Group's operations have been adversely affected, we will continue to explore more business opportunities and is committed to continue capitalising our 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 30/09/2020 RM'000	3 months ended 30/09/2019 RM'000	3 months ended 30/09/2020 RM'000	3 months ended 30/09/2019 RM'000
Current period's provision	3,831	971	3,831	971
Under / (Over) provision for the prior years	-	-	-	-
	3,831	971	3,831	971
Deferred taxation	-	-	-	-
Under / (Over) provision for the prior years	-	-	-	-
	3,831	971	3,831	971

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 30 September 2020 were as follows :

	RM'000
At cost	11,822
At market value	
- Shares	12,573
- 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:-

	30 September 2020		30 September 2019	
	Short term RM'000	Long term RM'000	Short term RM'000	Long term RM'000
<u>Secured</u>				
Term loan	-	-	26,723	2,500
Hire purchase	1,841	2,638	1,673	3,050
Invoice Finance	2,674	-	8,417	-
Revolving Credit	25,000	-	16,667	-
	29,515	2,638	53,480	5,550

B10 Off balance sheet financial instruments

The Group does not have any financial instrument with off balance sheet risk as at 30 September 2020.

B11 Trade receivables

The age analysis of trade receivables is as follow :

	Current Quarter Ended 30/09/2020 RM'000
Not past due	24,155
Past due:	
- less than 3 months	4,338
- 3 to 6 months	391
- over 6 months	-
- more than 1 year	11,725
	40,610

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 30 September 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

An interim single tier dividend of 1.75 sen per ordinary share be declared in respect of the financial year ending 30 June 2021.

The interim dividend will be paid on 30 December 2020 to the shareholders whose name appear in the Record of Depositors of the Company on 14 December 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 30/9/2020 RM'000	3 months Ended 30/9/2019 RM' 000	3 months Ended 30/9/2020 RM000	3 months Ended 30/9/2019 RM'000
Net profit attributable to Owners of the Company	5,812	(2,197)	5,812	(2,197)
Weighted Average Number of shares at the end of the period ('000)	370,807	372,775	370,807	372,775
Basic (loss) / earnings per share (sen)	1.57	(0.59)	1.57	(0.59)

Diluted earnings per ordinary share is not applicable as the Company does not have any convertible instruments.

B15 Profit before taxation

	Current Year Quarter 30/09/2020 RM'000 Unaudited	Current Year To-date 30/09/2020 RM'000 Unaudited
Profit before tax is arrived at after charging/(crediting):-		
Interest income	(307)	(307)
Depreciation	3,428	3,428
Interest expense	118	118
(Gain)/Loss on disposal of property, plant & equipment	(45)	(45)
Unrealised (gain)/loss on foreign exchange	(122)	(122)
Unrealised (gain)/loss on investment fund	(2)	(2)

B16 Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 26 November 2020.

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

Dato' Ir Low Keng Kok
Chairman

Kuala Lumpur
26 November 2020