

24 November 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|---|--|---|
| | CURRENT YEAR QUARTER 30 Sept 2016 RM'000 | PRECEEDING YEAR QUARTER 30 Sept 2015 RM'000 | CURRENT YEAR TO DATE 30 Sept 2016 RM'000 | PRECEEDING YEAR TO DATE 30 Sept 2015 RM'000 |
| Revenue | 69,009 | 34,347 | 243,992 | 225,618 |
| Cost of sales | (53,670) | (41,809) | (183,897) | (191,121) |
| Gross profit | 15,339 | (7,462) | 60,095 | 34,497 |
| Other income | 4,682 | 579 | 7,034 | 2,277 |
| Operating costs | (8,516) | (14,147) | (26,104) | (37,200) |
| Finance cost | (3,263) | (3,065) | (10,815) | (8,309) |
| Share of loss of a joint venture | (3) | - | (5) | (5) |
| Share of (loss)/profit of an associate | 8 | 55 | (65) | 224 |
| Profit/(Loss) before tax | 8,247 | (24,040) | 30,140 | (8,516) |
| Tax expense | (3,992) | 1,407 | (8,740) | (4,188) |
| Profit/(Loss) for the financial period | 4,255 | (22,633) | 21,400 | (12,704) |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income/(expense) for the financial period | 4,255 | (22,633) | 21,400 | (12,704) |
| Attributable to: | | | | |
| Owners of the parent | 5,157 | (21,941) | 15,181 | (10,399) |
| Non-controlling interests | (902) | (692) | 6,219 | (2,305) |
| | 4,255 | (22,633) | 21,400 | (12,704) |
| Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen) : | | | | |
| - Basic | 1.32 | (5.67) | 3.89 | (2.69) |
| - Diluted | 1.32 | (5.67) | 3.89 | (2.69) |

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

| | (UNAUDITED) AS AT 30 Sept 2016 <u>RM'000</u> | (AUDITED) AS AT 31 Dec 2015 <u>RM'000</u> |
|--|---|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 46,425 | 55,061 |
| Land held for property development | 60,358 | 90,276 |
| Investment properties | 39,524 | 38,755 |
| Investment in a joint venture | 239 | 244 |
| Investment in an associate | 3,627 | 3,691 |
| Deferred tax assets | 3,771 | 4,528 |
| | <u>153,944</u> | <u>192,555</u> |
| Current assets | | |
| Property development costs | 236,655 | 228,813 |
| Inventories | 25,419 | 33,609 |
| Trade and other receivables | 484,734 | 469,433 |
| Current tax assets | 4,183 | 920 |
| Short term funds | 896 | 818 |
| Cash and bank balances | 35,982 | 42,385 |
| | <u>787,869</u> | <u>775,978</u> |
| TOTAL ASSETS | <u>941,813</u> | <u>968,533</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 97,730 | 97,730 |
| Share premium | 85,545 | 85,545 |
| Treasury shares | (466) | (419) |
| Retained earnings | 153,515 | 138,334 |
| | <u>336,324</u> | <u>321,190</u> |
| Non-controlling interests | <u>7,461</u> | <u>1,242</u> |
| TOTAL EQUITY | <u>343,785</u> | <u>322,432</u> |
| Non-current liabilities | | |
| Borrowings | 97,802 | 82,174 |
| Deferred tax liabilities | 2,913 | 2,247 |
| | <u>100,715</u> | <u>84,421</u> |
| Current liabilities | | |
| Trade and other payables | 291,713 | 340,257 |
| Borrowings | 194,155 | 211,714 |
| Current tax liabilities | 11,445 | 9,709 |
| | <u>497,313</u> | <u>561,680</u> |
| TOTAL LIABILITIES | <u>598,028</u> | <u>646,101</u> |
| TOTAL EQUITY AND LIABILITIES | <u>941,813</u> | <u>968,533</u> |
| Net assets per share attributable to owners of the parent (RM) | 0.86 | 0.82 |

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying notes.

GABUNGAN AQRS BERHAD
(Company No. 912527-A)
(Incorporated in Malaysia)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

| | -----ATTRIBUTABLE TO OWNERS OF THE PARENT----- | | | | | | Total equity RM'000 |
|--|--|-------------------------|---------------------------|---|-----------------|-------------------------------------|------------------------|
| | I-----Non-distributable-----I Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Distributable Retained earnings RM'000 | Total RM'000 | Non-controlling-interests RM'000 | |
| Balance as at 1 January 2016 | 97,730 | 85,545 | (419) | 138,334 | 321,190 | 1,242 | 322,432 |
| Profit for the financial period / Total comprehensive income for the period | - | - | - | 15,181 | 15,181 | 6,219 | 21,400 |
| Shares repurchased | - | - | (47) | - | (47) | - | (47) |
| Balance as at 30 September 2016 | <u>97,730</u> | <u>85,545</u> | <u>(466)</u> | <u>153,515</u> | <u>336,324</u> | <u>7,461</u> | <u>343,785</u> |

| | -----ATTRIBUTABLE TO OWNERS OF THE PARENT----- | | | | | | Total equity RM'000 |
|---|--|-------------------------|---------------------------|---|-----------------|-------------------------------------|------------------------|
| | I-----Non-distributable-----I Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Distributable Retained earnings RM'000 | Total RM'000 | Non-controlling-interests RM'000 | |
| Balance as at 1 January 2015 | 97,730 | 85,545 | (3,008) | 152,835 | 333,102 | 7,752 | 340,854 |
| Loss for the financial period / Total comprehensive expense for the period | - | - | - | (10,399) | (10,399) | (2,305) | (12,704) |
| Acquisition of subsidiary | - | - | - | (4) | (4) | 4 | - |
| Dividend paid | - | - | 4,837 | (4,837) | - | - | - |
| Shares repurchased | - | - | (2,204) | - | (2,204) | - | (2,204) |
| Balance as at 30 September 2015 | <u>97,730</u> | <u>85,545</u> | <u>(375)</u> | <u>137,595</u> | <u>320,495</u> | <u>5,451</u> | <u>325,946</u> |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying notes.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

| | Current Period Ended 30 Sept 2016 RM'000 | Preceding Period Ended 30 Sept 2015 RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before tax | 30,140 | (8,516) |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 11,191 | 8,518 |
| Interest expense | 10,815 | 8,309 |
| Interest income | (658) | (669) |
| Property, plant and equipment written off | 3 | 7 |
| Gain on disposal of property, plant and equipment | (282) | (144) |
| Share of loss of a joint venture | 5 | 5 |
| Share of loss/(profit) of an associate | 65 | (224) |
| Operating profit before changes in working capital | 51,279 | 7,286 |
| Changes in working capital: | | |
| Land held for property development | 29,918 | - |
| Inventories | 8,190 | 2,133 |
| Property development costs | (7,842) | (23,152) |
| Trade and other receivables | (15,301) | (42,649) |
| Trade and other payables | (48,544) | 26,511 |
| Cash generated from/(used in) operating activities | 17,700 | (29,871) |
| Interest paid | (10,268) | (7,444) |
| Interest received | 658 | 669 |
| Tax paid | (8,844) | (13,680) |
| Tax refunded | - | 1,117 |
| Net cash used in operating activities | (754) | (49,209) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (661) | (4,101) |
| Purchase of land held for property development | - | (9,084) |
| Purchase of investment property | (2,807) | (31,002) |
| Proceeds from disposals of property, plant and equipment | 422 | 193 |
| Net cash used in investing activities | (3,046) | (43,994) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (547) | (865) |
| Withdrawals of fixed deposits pledged | 5,557 | 4,086 |
| Repurchase of shares | (47) | (2,204) |
| Repayments to hire purchase creditors | (7,362) | (2,269) |
| Drawdowns of term loans | 48,180 | 138,528 |
| Repayments of term loans | (11,476) | (8,631) |
| Repayments of revolving credits | (11,188) | - |
| Net cash generated from financing activities | 23,117 | 128,645 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 19,317 | 35,442 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | (64,810) | (85,660) |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | (45,493) | (50,218) |

Cash and cash equivalents at the end of the financial period comprise the following:

| | As at 30 Sept 2016 RM'000 | As at 30 Sept 2015 RM'000 |
|---|---------------------------------|---------------------------------|
| Cash and bank balances | 5,834 | 21,283 |
| Fixed deposits with licensed banks | 30,148 | 31,206 |
| Short term funds | 896 | 1,807 |
| | 36,878 | 54,296 |
| Less : Bank overdrafts included in borrowings | (52,223) | (73,308) |
| Fixed deposits pledged | (30,148) | (31,206) |
| Total cash and cash equivalents | (45,493) | (50,218) |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying notes.

A Explanatory Notes in compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements 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 year ended 31 December 2015.

A2. Changes in Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements for the financial year ended 31 December 2015, except for the following new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2016.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods beginning on or after 1 January 2016

| | |
|--|--|
| FRS 14 | Regulatory Deferral Accounts |
| Amendments to FRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to FRS 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendment to FRSs | Annual Improvements to FRSs 2012-2014 Cycle |
| Amendments to FRS 10, FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to FRS 101 | Disclosure Initiative |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements |

b) FRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

Effective for financial periods beginning on or after 1 January 2017

| | |
|-----------------------|--|
| FRS 107 | Disclosure Initiative |
| Amendments to FRS 112 | Recognition of Deferred Tax Assets for Unrealised Losses |

Effective for financial periods beginning on or after 1 January 2018

| | |
|-------|-----------------------|
| FRS 9 | Financial Instruments |
|-------|-----------------------|

A2. Changes in Accounting Policies (Cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework that is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture (MFRS 141)* and IC Interpretation 15 *Agreements for Construction of Real Estate (IC 15)*, including its parent, significant investor and venturer (herein called "Transitioning Entities").

As further announced by MASB on 28 October 2015, the Transitioning Entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018. The Group falls within the scope of Transitioning Entities and has opted to defer the adoption of MFRS framework for the financial periods as allowed.

A3. Qualification of Financial Statements

The auditors' report for the preceding audited financial statements was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

A5. Nature and Amount of Unusual Items

There were no unusual items for the current quarter.

A6. Nature and Amount of Changes in Estimates

There were no changes in estimates of amounts in the prior financial years that have a material effect in the current quarter.

A7. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

During the current quarter to date, the Company repurchased 50,000 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM47,000 at an average price of RM0.94 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

A8. Dividend Paid

No dividend has been paid during the current quarter.

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A9. Segmental Information

The Company and its subsidiaries are principally engaged in construction, property development and investment holding.

The Company has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:

(i) Construction

Securing and carrying out construction contracts.

(ii) Property development

Development of residential and commercial properties.

Other operating segments that do not constitute a reportable segment comprise investment holding.

| 9 months ended 30 September 2016 | Construction RM'000 | Property Development RM'000 | Other RM'000 | Total RM'000 |
|--|--------------------------------|--|-------------------------|-------------------------|
| Segment Revenue | | | | |
| Total revenue | 162,493 | 92,914 | 9,402 | 264,809 |
| Inter segment revenue | (16,932) | - | (3,885) | (20,817) |
| Revenue from external customers | 145,561 | 92,914 | 5,517 | 243,992 |
| Interest income | 460 | 156 | 42 | 658 |
| Finance cost | (3,188) | (3,887) | (3,740) | (10,815) |
| Net finance expense | (2,728) | (3,731) | (3,698) | (10,157) |
| Segment profit before taxation | 6,108 | 23,086 | 1,612 | 30,806 |
| Share of loss of an associate, net of tax | (65) | - | - | (65) |
| Share of loss of a joint venture, net of tax | - | - | (5) | (5) |
| Taxation | (968) | (6,358) | (1,414) | (8,740) |
| Other material non-cash item: | | | | |
| - Depreciation | (8,448) | (400) | (2,343) | (11,191) |
| Additions to non-current assets other than financial instruments and deferred tax assets | 407 | 254 | 2,807 | 3,468 |
| Segment assets | 619,173 | 623,544 | 347,216 | 1,589,933 |
| Segment liabilities | 436,340 | 589,257 | 130,612 | 1,156,209 |

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A9. Segmental Information (Cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by segment:

| 9 months ended 30 September 2015 | Construction RM'000 | Property Development RM'000 | Other RM'000 | Total RM'000 |
|--|--------------------------------|--|-------------------------|-------------------------|
| Segment Revenue | | | | |
| Total revenue | 227,551 | 62,925 | 3,938 | 294,414 |
| Inter segment revenue | (64,858) | - | (3,938) | (68,796) |
| Revenue from external customers | 162,693 | 62,925 | - | 225,618 |
| Interest income | 456 | 158 | 55 | 669 |
| Finance cost | (3,417) | (4,892) | - | (8,309) |
| Net finance expense | (2,961) | (4,734) | 55 | (7,640) |
| Segment profit/(loss) before taxation | (11,315) | 8,402 | (3,016) | (5,929) |
| Share of profit of an associate, net of tax | 224 | - | - | 224 |
| Share of loss of a joint venture, net of tax | - | - | (5) | (5) |
| Taxation | 2,443 | (6,807) | 176 | (4,188) |
| Other material non-cash item: | | | | |
| - Depreciation | (7,801) | (416) | (301) | (8,518) |
| Additions to non-current assets other than financial instruments and deferred tax assets | 5,911 | 9,184 | 31,127 | 46,222 |
| Segment assets | 660,449 | 581,985 | 276,416 | 1,518,850 |
| Segment liabilities | 489,085 | 540,976 | 78,551 | 1,108,612 |

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A9. Segmental Information (Cont'd)

Reconciliations of reportable segment revenues and profit or loss to the corresponding amounts of the Group are as follows:

| | As at 30 Sept 16 RM'000 | As at 30 Sept 15 RM'000 |
|---|--|--|
| Revenue | | |
| Total revenue for reportable segments | 264,809 | 294,414 |
| Elimination of inter-segmental revenues | (20,817) | (68,796) |
| Revenue of the Group per consolidated statement of profit or loss and other comprehensive income | <u>243,992</u> | <u>225,618</u> |
| Profit for the financial period | | |
| Total loss or profit for reportable segments | 30,806 | (5,929) |
| Share of (loss)/profit of an associate, net of tax | (65) | 224 |
| Share of loss of a joint venture, net of tax | (5) | (5) |
| Elimination of consolidation adjustments | (596) | (2,806) |
| Profit before tax | <u>30,140</u> | <u>(8,516)</u> |
| Tax expense | (8,740) | (4,188) |
| Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income | <u>21,400</u> | <u>(12,704)</u> |
| | As at 30 Sept 16 RM'000 | As at 30 Sept 15 RM'000 |
| Assets | | |
| Total assets for reportable segments | 1,589,933 | 1,518,850 |
| Elimination of investment in subsidiaries and consolidation adjustments | (92,330) | (76,701) |
| Elimination on inter-segment balances | (555,790) | (499,555) |
| Total assets of the Group per consolidated statement of financial position | <u>941,813</u> | <u>942,594</u> |
| Liabilities | | |
| Total liabilities for reportable segments | 1,156,209 | 1,108,612 |
| Elimination of consolidation adjustments | 1,794 | 1,794 |
| Elimination on inter-segment balances | (559,975) | (493,758) |
| Total liabilities of the Group per consolidated statement of financial position | <u>598,028</u> | <u>616,648</u> |

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A10. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment performed in the current quarter.

A11. Acquisition/Disposal of Property, Plant and Equipment

There was no material acquisition or disposal of property, plant and equipment during the current quarter.

A12. Material Subsequent Event

There were no material events subsequent to the end of the current quarter under review up to the date of this report which is likely to substantially affect the results of the operations of the Group.

A13. Changes in the Composition of the Group

There were no changes to the composition of the Group for the current quarter.

A14. Capital Commitment

| | As at 30 Sept 16 RM'000 | As at 31 Dec 15 RM'000 |
|--|--|---------------------------------------|
| Contracted but not provided for: | | |
| - Freehold land held under development | <u>56,750</u> | <u>65,300</u> |

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

| | As at 30 Sept 16 RM'000 | As at 31 Dec 15 RM'000 |
|--|--|---------------------------------------|
| Bank guarantees given by financial institutions in respect of construction and property projects | <u>107,356</u> | <u>133,241</u> |

B Explanatory Notes in Compliance with listing Requirements of the Bursa Malaysia

B1. Review of Performance

Performance of current quarter against the preceding year corresponding quarter

For the current quarter under review, the Group recorded revenue of RM69.01 million and profit after tax and non-controlling interests of RM5.16 million as compared to RM34.34 million and loss after tax of RM21.94 million respectively in preceding year corresponding quarter ended 30 September 2015.

Construction segment:

This segment reported a higher revenue of RM61.39 million in 3Q2016 compared to RM43.23 million in the same preceding year corresponding quarter last year (before eliminating inter-segment sales). It recorded a pre-tax profit of RM8.33 million compared to pre-tax loss of RM14.67 million the previous year corresponding period.

The higher revenue for the current quarter was mainly to the commencement of works for the Sungai Besi . Ulu Kelang (SUKU) Highway and the PR1MA Homes in Kuala Kuantan, Pahang. The higher revenue correspondingly resulted in higher overall performance for the construction division.

In the preceding year quarter, the segment recorded a pre-tax loss due to issues with the piling works of a project which resulted in a one off full provision of the losses.

The Construction division, through its rigorous exercise in re-organising and consolidating its operations structure and reducing cost inefficiencies has turn-around the segment financial results.

Property development segment:

This segment reported a higher revenue of RM7.63 million in 3Q2016 compared to RM6.46 million in the same preceding year corresponding quarter. It recorded a pre-tax loss of RM1.42 million compared to RM7.61 million for the previous year corresponding period.

The higher revenue in the current quarter was year mainly due to higher number of sales achieved for the on-going projects, Contours, The Peak Serviced Apartments and Permas Centro Shop Offices.

B2. Material Changes in the Result for the Current Quarter Compared With the Results for the Preceding Quarter

For the current quarter under review, the Group recorded revenue and profit after taxation and non-controlling interests of RM69.01 million and RM5.16 million as compared to RM95.34 million and RM6.27 million respectively reported in the immediate preceding quarter.

The Group profit before tax (%PBT+) of RM8.25 million in the current quarter is lower as compared to the preceding quarter of RM16.73 million. The higher PBT in the preceding quarter was mainly due to the sale of a piece of land held for development.

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B3. Prospects

The Group's property development projects currently have unbilled sales of sold units amounting to approximately RM143.25 million and unbilled sales in relation to unsold units amounting to approximately RM592.15 million.

The Group's Construction Division's remaining order book balance stands at RM1.4 billion. We are positive on our prospects of further enhancing the order book in the upcoming quarters, thus strengthening the performance of the construction segment.

On 18 August 2016 and further to that on 12 October 2016, the Group was altogether awarded a total contract sum of RM627.9 million for the execution and completion of bridge structure works in respect of Projek Penswastan Lebuhraya Bertingkat Sungai Besi-Ulu Kelang Package SUKE-CA3. This project is expected to contribute positively to both revenue and profits for the Construction division.

On 21 June 2016, the Group, via its wholly-owned subsidiary, Gabungan Strategik Sdn Bhd (GSSB) received the non-binding Letter of Intent from PR1MA Corporation Malaysia for the proposed purchase from GSSB and AQRS The Building Company Sdn Bhd (AQRS), another wholly-owned subsidiary of the Company, of 1,140 Units of PR1MA Homes in Sepang, Selangor. The estimated contract sum of the Project is RM314 million and the Group targets to sign the Master En Bloc Purchase Agreement (MEBPA) by end 2016.

On 16 March 2015, the Group entered into a Joint Venture Agreement with Suria Capital Holdings Berhad (Suria Capital) for a mixed development in Kota Kinabalu, Sabah known as One Jesselton Waterfront. This land is part of the new Kota Kinabalu waterfront and is now one of the most prime land in Kota Kinabalu. In February 2016, the Group completed the traffic study which further enhances the development and received approval from the relevant authorities in mid April 2016. On 23 September 2016, Suria Capital announced that it has received draft titles for the sub-division of the master land title for Kota Kinabalu Port land. With the acceptance and issuance of these titles, the original single master land title has now been successfully sub-divided into separate parcels of title. This project is expected to contribute positively to both revenue and profits to both its Construction and Property Development division in third quarter of year 2017.

The Group will soon be receiving the Letter of Award from the State Government of Pahang for the Proposed Development of Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) in Kuantan. The Group is expected to undertake the entire construction works for PPSAS once the project has been awarded by the State Government of Pahang.

The Group will continue to bid actively in various tender exercises. It has thus far successfully been pre-qualified and shortlisted to participate in the tender for the Bandar Utama, Klang Light Rail Transit (LRT) Line 3. The Group anticipates that tender for LRT Line 3 will be called in the fourth quarter of year 2016.

With the recent announcements of the East Coast Rail Line (ECRL) project, the Group is confident that it will procure a portion of the civil and structure works in relation to the ECRL given that the Group is already actively involved in construction projects with the State Government of Pahang.

The Group remains confident that with its enhanced construction order book and pipeline property development projects, it will be able sustain its performance for the next 3 years.

B4. Profit Forecast and Profit Estimate

The Group did not issue any profit forecast or profit estimate in any public document.

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B5. Items included in the Statements of Comprehensive Income include:

| | Current Quarter | | Cumulative Quarter | |
|---|-----------------|------------|--------------------|------------|
| | 3 months ended | | 9 months ended | |
| | 30 Sept 16 | 30 Sept 15 | 30 Sept 16 | 30 Sept 15 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 118 | 164 | 658 | 669 |
| Other income | 4,507 | 463 | 6,151 | 1,464 |
| Interest expense (excluding interest capitalised) | (3,263) | (3,065) | (10,815) | (8,309) |
| Depreciation and amortisation | (5,052) | (3,101) | (11,191) | (8,518) |
| Provision for and write off of receivables | * | * | * | * |
| Provision for and write off of inventories | * | * | * | * |
| Property, plant and equipment written off | (2) | (4) | (3) | (7) |
| Gain on disposal of property, plant and equipment | 114 | (27) | 282 | 144 |
| Gain on disposal of investment property | * | * | * | * |
| Goodwill written off | * | * | * | * |
| Foreign exchange gain or loss | * | * | * | * |
| Gain or loss on derivatives | * | * | * | * |
| Exceptional items | * | * | * | * |

* There were no such reportable items as required by Bursa Securities in the current quarter and cumulative quarter to date.

B6. Taxation

| | Current Quarter | | Cumulative Quarter | |
|-------------------|-----------------|------------|--------------------|------------|
| | 3 months ended | | 9 months ended | |
| | 30 Sept 16 | 30 Sept 15 | 30 Sept 16 | 30 Sept 15 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current taxation | | | | |
| - Current year | 2,319 | (1,449) | 8,883 | 5,530 |
| - Previous year | - | (828) | (1,237) | (1,163) |
| | 2,319 | (2,277) | 7,646 | 4,367 |
| Deferred taxation | | | | |
| - Current year | 994 | (2,799) | 534 | (3,495) |
| - Prior years | 679 | 3,669 | 560 | 3,316 |
| | 1,673 | 870 | 1,094 | (179) |
| | 3,992 | (1,407) | 8,740 | 4,188 |

The Group effective tax rate for the cumulative quarter is higher than the statutory tax rate mainly due non-allowable expenses for tax deduction and non-recognition of deferred tax assets of loss making subsidiaries.

The non-recognition deferred tax assets is only temporary and will be recognised and utilised against the taxable profits when the subsidiary starts to have taxable profits in the future, which will then results in lower effective tax rate.

B7. Status of Corporate Proposals Announced

There were no corporate proposals previously announced but not completed as at 17 November 2016, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report.

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B8. Group Borrowings and Debt Securities

| | As at 30 Sept 16 RM'000 | As at 31 Dec 15 RM'000 |
|--|--|---------------------------------------|
| The Group's borrowings and debt securities are as follows: | | |
| Long term borrowings | | |
| Secured: | | |
| Term loans | 96,381 | 76,627 |
| Hire purchase creditors | 1,421 | 5,547 |
| | <u>97,802</u> | <u>82,174</u> |
| Short term borrowings | | |
| Secured: | | |
| Term loans | 127,639 | 110,690 |
| Revolving credit | 7,912 | 19,100 |
| Hire purchase creditors | 6,381 | 9,616 |
| Bank overdrafts | 52,223 | 72,308 |
| | <u>194,155</u> | <u>211,714</u> |

B9. Material Litigation

Saved as disclosed below, there is no other material litigation pending as at 17 November 2016, being a date not earlier than 7 days from the date of this report:-

- a) On 4 Feb 2016, Pembinaan Megah Ikhlas Sdn Bhd (PMI) and Gabungan Strategik Sdn Bhd (GSSB), both subsidiaries of the Company, were served with a Writ of Summons and Statement of Claim by Profound Projects Sdn Bhd (Profound). Profound is claiming for a total cost of RM3.3 million for balance sum due for work done.

PMI denied the contention by Profound whereby Profound had executed and completed its work as per the Sub-Contract Agreement dated 21 January 2006. PMI had carried out the remaining construction work on behalf of Profound and had incurred a cost of RM3.4 million. In relation to this, PMI had issued Debit Notes and back-charged Profound in respect of the costs incurred. Consequently, PMI decided to pursue to claim back these costs incurred on behalf of Profound.

In accordance to the Letter of Guarantee dated 21 January 2006 signed, Profound shall indemnify PMI against all losses, damages, costs and expenses incurred by PMI in respect of default in the due performance of works. Besides, PMI reserves any rights to recover any amount by deduction from any money from Profound.

PMI and GSSB had submitted the application to strike out the Profound's claim on 20 April 2016. Based on the Case Management on 21 April 2016, the writ of summons dated 4 February 2016 has been cancelled by court due to non-disclosure of any reasonable cause of action. On 23 May 2016, Profound has filed a notice of withdrawal for the claim on GSSB. The hearing of the case is currently on-going.

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B9. Material Litigation (cont'd)

- b) On 18 November 2015, AQRS The Building Company Sdn. Bhd. (~~AQRS~~), a subsidiary of the Company, filed a lawsuit against Goodnite Sdn. Bhd. (~~Goodnite~~) and demanded a sum of RM6.8 million, which comprised land costs paid and development costs amounted to RM5.6 million and RM1.2 million respectively.

AQRS had entered into a Sale and Purchase Agreement (~~SPA~~) with Goodnite for the acquisition of leasehold land located at Sungai Lalang. The SPA entered into between Goodnite and AQRS was subject to the conditions precedent as the existing SPA entered into by Goodnite with another party (Merit Trading Sdn. Bhd. (~~Merit~~)) dated 14 August 2014 be duly terminated and the withdrawal of the existing private caveat dated 18 August 2014.

The above conditions precedent had been fulfilled by Goodnite on 19 November 2014. However, subsequently on 30 April 2015, Merit had lodged a new caveat and demanded a compensation of RM4.5 million from Goodnite. AQRS had on 3 September 2015 decided to terminate this acquisition after Goodnite had failed to remove the new caveat lodged by Merit despite reminders being sent to them.

Goodnite has counterclaimed against AQRS for General Damages in excess of RM5.0 million. The hearing for the case has been fixed on 6 January 2017.

- c) On 28 April 2016, Gabungan Strategik Sdn Bhd (~~GSSB~~), a subsidiary of the Company, filed a lawsuit against Sanubari Cekal Sdn. Bhd. (~~Sanubari~~) and demanded a sum of RM16.5 million, which to cover on the testing, design fees, rectification works, loss of profit and damages incurred and/or suffered by GSSB.

GSSB has awarded Sanubari as a sub-contractor for the construction and completion of bored piling work for the project of Tropicana Metropark on 1 April 2014. The lawsuit was filed against Sanubari for the failure and negligence in performing its duty to complete work awarded.

During the construction period, part of the bored pile constructed by Sanubari collapsed due to the length of the bored pile was under casted during the excavation work for the pile cap. Based on the rectification work on site, Sanubari has failed the pile driving analyzer (~~DA~~) method test. As a rectification for the defect work performed by Sanubari, GSSB had appointed third party contractors for the rectification works.

The litigation has been settled between the parties by a recording of a consent judgement in court on 9 November 2016.

B10. Dividend

No dividend has been proposed by the Board of Directors for the current quarter ended 30 September 2016.

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B11. Earnings/(Loss) Per Share

(a) Basic

The basic earnings per share is calculated by dividing the profit/(loss) attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period under review.

| | Current Quarter 3 months ended | | Cumulative Quarter 9 months ended | |
|--|-----------------------------------|----------------------|--------------------------------------|----------------------|
| | 30 Sept 16 RM'000 | 30 Sept 15 RM'000 | 30 Sept 16 RM'000 | 30 Sept 15 RM'000 |
| Profit/(Loss) attributable to equity holders of the Company (RM'000) | 5,157 | (21,941) | 15,181 | (10,399) |
| Number of shares at the beginning of the year ('000) | 390,484 | 388,445 | 390,484 | 388,445 |
| Effect of Share Buy Back | (29) | (1,284) | (29) | (1,284) |
| Weighted average number of ordinary shares in issue (€000) | 390,455 | 387,161 | 390,455 | 387,161 |
| Basic earnings/(loss) per share (sen) | 1.32 | (5.67) | 3.89 | (2.69) |

(b) Diluted

Diluted earnings per ordinary share are the same as basic earnings per ordinary share as there were no dilutive potential ordinary shares.

The Company has warrants in issue for quarter under review. However, the diluted earnings per ordinary share for the Group would be the same as basic earnings per share as there were no conversion from the exercise of the warrants as the exercise price of the warrants exceeded the average market price of the ordinary shares during the period (i.e. they were out of the money).

B12. Realised and Unrealised Retained Profits

| | As at 30 Sept 16 RM'000 | As at 31 Dec 15 RM'000 |
|--|-------------------------------|------------------------------|
| Total retained profits of the Company and its subsidiaries : | | |
| - Realised | 237,645 | 214,157 |
| - Unrealised | (1,119) | (453) |
| | 236,526 | 213,704 |
| Total share of retained earnings from an associate: | | |
| - Realised | 304 | 370 |
| Total share of accumulated losses from a joint venture: | | |
| - Realised | (15) | (11) |
| | 236,815 | 214,063 |
| Less : Consolidation adjustments | (83,300) | (75,729) |
| Total retained earnings | 153,515 | 138,334 |

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 24 November 2016.