

24 August 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2017 RM'000	PRECEEDING YEAR QUARTER 30 June 2016 RM'000	CURRENT YEAR TO DATE 30 June 2017 RM'000	PRECEEDING YEAR TO DATE 30 June 2016 RM'000
Revenue	79,834	95,335	238,774	174,983
Cost of sales	(56,729)	(67,193)	(175,052)	(130,227)
Gross profit	23,105	28,142	63,722	44,756
Other income	498	1,288	875	2,352
Operating costs	(9,946)	(8,441)	(21,080)	(17,588)
Finance cost	(3,365)	(4,235)	(7,250)	(7,552)
Share of loss of a joint venture	(49)	-	(89)	(2)
Share of loss of an associate	(56)	(21)	(139)	(73)
Profit before tax	10,187	16,733	36,039	21,893
Tax expense	(3,582)	(2,928)	(10,913)	(4,748)
Profit for the financial period	6,605	13,805	25,126	17,145
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the financial period	6,605	13,805	25,126	17,145
Attributable to:				
Owners of the parent	7,229	6,273	23,371	10,024
Non-controlling interests	(624)	7,532	1,755	7,121
	6,605	13,805	25,126	17,145
Earnings per ordinary share attributable to equity holders of the Company (sen) :				
- Basic	1.85	1.61	5.99	2.57
- Diluted	1.31	1.61	4.25	2.57

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes.

24 August 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	(UNAUDITED) AS AT 30 June 2017 <u>RM'000</u>	(AUDITED) AS AT 31 Dec 2016 <u>RM'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	36,513	43,583
Land held for property development	37,931	60,439
Investment properties	35,742	37,782
Investment in a joint venture	136	225
Investment in an associate	3,388	3,526
Deferred tax assets	3,232	3,223
	116,942	148,778
<b>Current assets</b>		
Property development costs	198,218	244,973
Inventories	34,895	25,116
Trade and other receivables	705,230	522,377
Other investment	7,433	2,512
Current tax assets	370	335
Short term funds	305	952
Cash and bank balances	38,020	31,980
	984,471	828,245
<b>TOTAL ASSETS</b>	1,101,413	977,023
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	183,275	97,730
Share premium	-	85,545
Treasury shares	(510)	(510)
Retained earnings	184,337	160,966
	367,102	343,731
<b>Non-controlling interests</b>	8,648	6,893
<b>TOTAL EQUITY</b>	375,750	350,624
<b>Non-current liabilities</b>		
Borrowings	67,795	72,526
Deferred tax liabilities	2,932	2,932
	70,727	75,458
<b>Current liabilities</b>		
Trade and other payables	396,011	342,243
Borrowings	237,256	195,890
Current tax liabilities	21,669	12,808
	654,936	550,941
<b>TOTAL LIABILITIES</b>	725,663	626,399
<b>TOTAL EQUITY AND LIABILITIES</b>	1,101,413	977,023
Net assets per share attributable to owners of the parent (RM)	0.94	0.88

*The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes.*

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

24 August 2017

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	-----ATTRIBUTABLE TO OWNERS OF THE PARENT-----						Total equity <b>RM'000</b>
	-----Non-distributable-----			Distributable	Total <b>RM'000</b>	Non-controlling-interests <b>RM'000</b>	
	Share capital <b>RM'000</b>	Share premium <b>RM'000</b>	Treasury shares <b>RM'000</b>	Retained earnings <b>RM'000</b>			
Balance as at 1 January 2017	97,730	85,545	(510)	160,966	343,731	6,893	<b>350,624</b>
Reclassification pursuant to S618(2) of Companies Act 2016 (Note 1)	85,545	(85,545)	-	-	-	-	-
Profit for the financial period / Total comprehensive income for the period	-	-	-	23,371	23,371	1,755	<b>25,126</b>
Balance as at 30 June 2017	<u>183,275</u>	<u>-</u>	<u>(510)</u>	<u>184,337</u>	<u>367,102</u>	<u>8,648</u>	<b><u>375,750</u></b>

	-----ATTRIBUTABLE TO OWNERS OF THE PARENT-----						Total equity <b>RM'000</b>
	-----Non-distributable-----			Distributable	Total <b>RM'000</b>	Non-controlling-interests <b>RM'000</b>	
	Share capital <b>RM'000</b>	Share premium <b>RM'000</b>	Treasury shares <b>RM'000</b>	Retained earnings <b>RM'000</b>			
Balance as at 1 January 2016	97,730	85,545	(419)	138,334	321,190	1,242	<b>322,432</b>
Profit for the financial period / Total comprehensive income for the period	-	-	-	10,024	10,024	7,121	<b>17,145</b>
Shares repurchased	-	-	(47)	-	(47)	-	<b>(47)</b>
Balance as at 30 June 2016	<u>97,730</u>	<u>85,545</u>	<u>(466)</u>	<u>148,358</u>	<u>331,167</u>	<u>8,363</u>	<b><u>339,530</u></b>

Note 1:

Pursuant to the Companies Act 2016 ("CA2016") which came into effect on 31 January 2017, the credit amounts in the share premium account has been transferred to the share capital account. The Group may exercise its right to use the credit amounts transferred from the share premium account within 24 months after the commencement of the CA2016.

*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 2016 and the accompanying notes.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	Current Period Ended 30 June 2017 RM'000	Preceding Period Ended 30 June 2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	36,039	21,893
Adjustments for :		
Depreciation of property, plant and equipment	7,771	6,139
Interest expense	7,250	7,552
Interest income	(429)	(540)
Property, plant and equipment written off	1,918	1
Gain on disposal of property, plant and equipment	(40)	(168)
Share of loss of a joint venture	89	2
Share of loss of an associate	139	73
Operating profit before changes in working capital	52,737	34,952
Changes in working capital:		
Inventories	(9,779)	5,492
Property development costs	69,263	28,579
Trade and other receivables	(187,774)	13,597
Trade and other payables	53,768	(76,938)
Cash (used in)/generated from operating activities	(21,785)	5,682
Interest paid	(1,604)	(7,148)
Interest received	429	540
Tax paid	(2,096)	(7,601)
Net cash used in operating activities	(25,056)	(8,527)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(579)	(648)
Purchase of investment property	-	(2,025)
Proceeds from disposals of property, plant and equipment (Placement)/Withdrawal of fixed deposits pledged	40	262
	(5,207)	4,948
Net cash (used in)/from investing activities	(5,746)	2,537
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(5,646)	(404)
Repurchase of shares	-	(47)
Repayments to hire purchase creditors	(2,928)	(4,816)
Drawdowns of term loans	-	44,180
Repayments of term loans	(14,074)	(7,966)
Repayments of revolving credits	(1,057)	(12,300)
Net cash (used in)/from financing activities	(23,705)	18,647
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(54,507)	12,657
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	(38,384)	(64,810)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	(92,891)	(52,153)

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

	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Cash and bank balances	3,230	4,636
Fixed deposits with licensed banks	34,790	30,759
Short term funds	305	830
	38,325	36,225
Less : Bank overdrafts included in borrowings	(96,426)	(57,619)
Fixed deposits pledged	(34,790)	(30,759)
Total cash and cash equivalents	(92,891)	(52,153)

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes.

**GABUNGAN AQRS BERHAD**  
(Company No: 912527 - A)  
(Incorporated in Malaysia)  
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

**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 2016. 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 2016.

**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 2016, except as follows:

On 1 January 2017, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

**1 January 2017**

Amendment to FRS 12	Annual Improvements to FRSs 2014-2016 Cycle
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group.

The Group has not adopted the following standards and interpretations that have been issued and not yet effective:

**1 January 2018**

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions

**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”).

**A2. Changes in Accounting Policies (Cont'd)**

On 7 August 2013, the MASB issued another announcement that Transitioning Entities would only be required to adopt the MFRS framework for the annual periods beginning on or after 1 January 2015. Subsequently on the 2 September 2014 and 28 October 2015, MASB has further announced that Transitioning Entities shall be required to apply the Malaysian Financial Reporting Standards (MFRS) Framework for annual periods beginning on or after 1 January 2017 and 1 January 2018 respectively.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

**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.

As at the end of the current quarter, a total of 535,502 shares were held as treasury shares.

**A8. Dividend Paid**

No dividend has been paid during the current quarter.

**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017**

**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.

<b>6 months ended 30 June 2017</b>	<b>Construction RM'000</b>	<b>Property Development RM'000</b>	<b>Other RM'000</b>	<b>Total RM'000</b>
<b>Segment Revenue</b>				
Total revenue	143,224	95,712	9,038	247,974
Inter segment revenue	(5,810)	-	(3,390)	(9,200)
Revenue from external customers	137,414	95,712	5,648	238,774
Interest income	363	48	19	430
Finance cost	(1,855)	(3,195)	(2,200)	(7,250)
Net finance expense	(1,492)	(3,147)	(2,181)	(6,820)
<b>Segment profit before taxation</b>	<b>24,759</b>	<b>10,289</b>	<b>961</b>	<b>36,009</b>
Share of loss of an associate, net of tax	(139)	-	-	(139)
Share of loss of a joint venture, net of tax	-	-	(89)	(89)
Taxation	(6,484)	(4,220)	(209)	(10,913)
Other material non-cash item:				
- Depreciation	(5,301)	(215)	(2,255)	(7,771)
Additions to non-current assets other than financial instruments and deferred tax assets	569	2	8	579
<b>Segment assets</b>	<b>772,726</b>	<b>681,740</b>	<b>341,902</b>	<b>1,796,368</b>
<b>Segment liabilities</b>	<b>560,664</b>	<b>648,073</b>	<b>122,857</b>	<b>1,331,594</b>

**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017**

**A9. Segmental Information (Cont'd)**

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

<b>6 months ended 30 June 2016</b>	<b>Construction RM'000</b>	<b>Property Development RM'000</b>	<b>Other RM'000</b>	<b>Total RM'000</b>
<b>Segment Revenue</b>				
Total revenue	101,105	85,282	5,413	191,800
Inter segment revenue	(14,242)	-	(2,575)	(16,817)
Revenue from external customers	86,863	85,282	2,838	174,983
Interest income	407	121	12	540
Finance cost	(2,211)	(3,107)	(2,234)	(7,552)
Net finance expense	(1,804)	(2,986)	(2,222)	(7,012)
<b>Segment profit/(loss) before taxation</b>	<b>(2,215)</b>	<b>24,506</b>	<b>1,271</b>	<b>23,562</b>
Share of loss of an associate, net of tax	(73)	-	-	(73)
Share of loss of a joint venture, net of tax	-	-	(2)	(2)
Taxation	1,645	(5,962)	(431)	(4,748)
Other material non-cash item:				
- Depreciation	(5,656)	(279)	(204)	(6,139)
Additions to non-current assets other than financial instruments and deferred tax assets	394	254	2,025	2,673
<b>Segment assets</b>	<b>596,854</b>	<b>625,468</b>	<b>332,970</b>	<b>1,555,292</b>
<b>Segment liabilities</b>	<b>420,387</b>	<b>589,365</b>	<b>117,149</b>	<b>1,126,901</b>



**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017**

**A9. Segmental Information (Cont'd)**

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

	<b>As at 30 June 17 RM'000</b>	<b>As at 30 June 16 RM'000</b>
<b>Revenue</b>		
Total revenue for reportable segments	247,974	191,800
Elimination of inter-segmental revenues	(9,200)	(16,817)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>238,774</u>	<u>174,983</u>
<b>Profit for the financial period</b>		
Total profit for reportable segments	36,009	23,562
Share of loss of an associate, net of tax	(139)	(73)
Share of loss of a joint venture, net of tax	(89)	(2)
Elimination of consolidation adjustments	258	(1,594)
Profit before tax	<u>36,039</u>	<u>21,893</u>
Tax expense	(10,913)	(4,748)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>25,126</u>	<u>17,145</u>
	<b>As at 30 June 17 RM'000</b>	<b>As at 30 June 16 RM'000</b>
<b>Assets</b>		
Total assets for reportable segments	1,796,368	1,555,292
Elimination of investment in subsidiaries and consolidation adjustments	(92,010)	(91,042)
Elimination on inter-segment balances	(602,945)	(549,117)
Total assets of the Group per consolidated statement of financial position	<u>1,101,413</u>	<u>915,133</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,331,594	1,126,901
Elimination of consolidation adjustments	(5,370)	1,794
Elimination on inter-segment balances	(600,561)	(553,092)
Total liabilities of the Group per consolidated statement of financial position	<u>725,663</u>	<u>575,603</u>

**GABUNGAN AQRS BERHAD**  
 (Company No: 912527 - A)  
 (Incorporated in Malaysia)  
 Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

**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**

	<b>As at 30 June 17 RM'000</b>	<b>As at 31 Dec 16 RM'000</b>
Contracted but not provided for:		
- Freehold land held under development	<u>51,500</u>	<u>54,250</u>

**A15. Contingent Liabilities**

	<b>As at 30 June 17 RM'000</b>	<b>As at 31 Dec 16 RM'000</b>
Bank guarantees given by financial institutions in respect of construction and property projects	<u>129,030</u>	<u>97,995</u>

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

**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****Transformation On Track**

	Individual Period (2 <sup>nd</sup> Quarter)		Changes  (%)	Cumulative Period		Changes  (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	30/06/2017	30/06/2016		30/06/2017	30/06/2016	
	RM000	RM000		RM000	RM000	
Revenue	79,834	95,335	(16.26)	238,774	174,983	36.46
Profit Before Tax	10,187	16,733	(39.12)	36,039	21,893	64.61
Profit After Taxation and Non- Controlling Interest	7,229	6,273	15.24	23,371	10,024	133.15

In the last four quarters, the Group has undergone massive change to turnaround the Group. During the current quarter the Group recorded revenue of RM79.83 million as compared to RM95.34 million in the preceding year corresponding quarter. The Group's profit after taxation and non-controlling interests increased to RM7.23 million as compared RM6.27 million in the preceding year corresponding quarter. However, if sale of land were to be excluded in the results of the preceding year corresponding quarter, revenue would have been RM44.95 million with a corresponding loss before tax of RM3.41 million and loss after tax and non-controlling interest of RM1.69 million.

Construction segment:

This segment reported a higher revenue of RM81.32 million in 2Q2017 compared to RM42.28 million in 2Q2016 (before eliminating inter-segment sales). Pre-tax profit for the current quarter increased to RM15.98 million in 2Q2017 compared to a loss of RM0.11 million in 2Q2016.

The revenue for the current quarter was mainly from the work progress for the Sungai Besi . Ulu Kelang (SUKE) Highway, PR1MA Homes in Kuala Kuantan, Gambang, Pahang and Pusat Pentadbiran Sultan Ahmad Shah (PPSAS). The higher pre-tax profit was mainly due to improved operating margins from these ongoing projects.

Property development segment:

The challenging economic environment and weakened sentiments towards the property market, has affected our property development segment to report a pre-tax loss of RM6.36 million compared to a profit of RM17.53 million in 2Q2016.

The higher revenue and profit in the 2Q16 was mainly due to sale of a piece of land held for development.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/06/2017	31/03/2017	
	RM000	RM000	
Revenue	79,834	158,940	(49.77)
Profit Before Tax	10,187	25,852	(60.59)
Profit After Taxation and Non- Controlling Interest	7,229	16,142	(55.22)

For the current quarter under review, the Group recorded revenue and profit after taxation and non-controlling interests (%PATNCI) of RM79.83 million and RM7.23 million as compared to RM158.94 million and RM16.14 million respectively reported in the immediate preceding quarter. Total PATNCI for 1Q17 and 2Q17 amounting to RM23.37 million has exceeded the entire FYE 2016 PATNCI of RM22.63 million.

If sale of land were to be excluded in the results of the preceding quarter, revenue would have been RM68.52 million with a corresponding PBT of RM3.29 million and PATNCI of RM1.01 million. Therefore the Group's PATNCI in actual has increased by RM6.22 million. This reflects the Group's PATNCI is on an uptrend.

In line with the increase in revenue, the Group recorded trade receivables and other receivables of RM705.23 million as at 30 June 2017. This is an increase of RM182.85 million compared to 31 December 2016, which is mainly attributable to the construction work done but not billed to customers arising from new projects namely SUKE, PR1MA Homes and PPSAS. Included in the trade and other receivables is an amount due from the sale of land of RM129.50 million.

In line with the Group's monetization exercise to reduce its gearing ratio, an improvement was recorded to the Group's PATNCI as a result of the reduction in finance cost due to gradual repayment of loans. Moving forward, finance cost will continue to reduce in the subsequent quarters.

The Petronas Basecamp in Sipitang is now generating rental income of RM2.84 million per quarter. The contract with Petronas Chemicals Fertiliser Sabah Sdn Bhd (%PCFSSB) is for a period of 5 years with an option to renew for another 5 years. The rental income received from PCFSSB will further reduce the Group's borrowings.

The Group is continuously taking measures to improve operational efficiency. In relation to this, the Group recorded a reduction in operating costs from RM11.13 million in 1Q17 to RM9.95 million in 2Q17.

### **B3. Prospects**

The Group has an outstanding construction order book of RM1.66 billion as at 30 June 2017,

The outlook for the construction industry is robustly driven by various government infrastructure initiatives. The Board is optimistic that its construction segment continues to be promising with replenishment of order book prospects.

#### (a) Construction Division

The Group is in the running to compete for potential contracts from civil engineering projects such as the Light rail Transit Line 3 (LRT3) and Pan Borneo Highway Sabah (PBH).

The Group also intends to secure a portion of the civil and structure works in relation to the East Coast Rail Line (ECRL), given that it is currently actively involved in a construction project with the state Government of Pahang. Since the Group has successfully gained a strong footing in Pahang with the PPSAS project and the PR1MA Gambang project both totaling to approximated RM800 million, we expect more projects in Pahang in this segment.

Our associate company, SEDCO Precast, is poised to secure a significant order to supply pre-cast components for the PBH project since preference is expected to be given to Sabah-based company and in this case, SEDCO Precast is a 51% subsidiary of Sabah Economic Development Corporation. The land area in which SEDCO Precast operates on is approximately 18 acres and current utilised land area is only approximately 30% of the total land area which provides ample room for expansion as and when PBH project kicks off. SEDCO Precast is also certified by the Construction Industry Development Board (CIDB) to be an Industrialised Building System (IBS) manufacturer which reflects its capability in producing quality IBS and pre-cast concrete products.

#### (b) Property Development Division

The Group's property development projects currently have unbilled sales of sold units amounting to approximately RM141.26 million and unbilled sales in relation to unsold units amounting to approximately RM584.94 million. The Group is on track to launch the One Jesselton Waterfront project in late 2017 and amongst others, SEDCO Precast will supply precast concrete building materials for project construction. The potential GDV of One Jesselton is about RM1.8 billion.

The Group is in discussions to provide housing for the oil and gas industry in the Sabah Ammonia Urea (SAMUR) area similar to what the Group has done for PCFSSB for the Petronas Basecamp in Sipitang.

The Group's monetization programme through disposal of its selected landbank, aimed to improve the Group's working capital position and to repay bank borrowings, will significantly reduce its finance cost and lower its total borrowings by the end of 4Q17. From 1Q18 onwards, the Group expects finance cost to reduce drastically.

The Group envision to further increase the Construction Order Book by another RM1 billion to RM1.4 billion by the end of the Financial Year 2017 which will continue to contribute to the Group's revenue and profit sustainability.

### **B4. Profit Forecast and Profit Estimate**

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

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

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

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 17	30 June 16	30 June 17	30 June 16
	RM'000	RM'000	RM'000	RM'000
Interest income	304	432	430	540
Other income	148	688	445	1,644
Interest expense (excluding interest capitalised)	(3,371)	(4,235)	(7,256)	(7,552)
Depreciation and amortisation	(3,501)	(3,066)	(7,771)	(6,139)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	(1,918)	-	(1,918)	(1)
Gain on disposal of property, plant and equipment	-	167	40	168
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 3 months ended		Cumulative Quarter 6 months ended	
	30 June 17	30 June 16	30 June 17	30 June 16
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	3,582	3,901	10,913	6,564
- Previous year	-	(1,237)	-	(1,237)
	<u>3,582</u>	<u>2,664</u>	<u>10,913</u>	<u>5,327</u>
Deferred taxation				
- Current year	-	114	-	(460)
- Prior years	-	150	-	(119)
	<u>-</u>	<u>264</u>	<u>-</u>	<u>(579)</u>
	<u>3,582</u>	<u>2,928</u>	<u>10,913</u>	<u>4,748</u>

The Group effective tax rate for the cumulative quarter is higher than the statutory tax rate mainly due to 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 subsidiaries start to have taxable profits in the future, which will then results in lower effective tax rate.

**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017**

**B7. Status of Corporate Proposals Announced**

There are no other corporate proposals announced by the Company but not completed as at 17 August 2017, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report.

On 30 June 2017, the Company announced the following proposal:

- (a) Proposed acquisition of the entire ordinary equity interest in Monolight IBS Building System Sdn Bhd for a total consideration of approximately RM26 million; and
- (b) Proposed Private Placement of up to 35,475,849 new ordinary shares in the Company (Proposed Private Placement)

(collectively to be referred to as the Proposals).

The listing application in respect of the Proposals has been submitted to Bursa Malaysia Securities Berhad on 4 July 2017. Bursa Securities had, vide its letter dated 24 July 2017, approved the listing of up to 55,036,849 new shares in the Company to be issued pursuant to the Proposals on the Main Market of Bursa Securities.

On 25 July 2017, the Company had fixed the issue price for the placement of 19,477,446 Placement Shares, being the first and only tranche of the Proposed Private Placement, at RM1.35 per Placement Share (Issue Price). The Issue Price represents a discount of approximately 5.59% to the five (5)-day volume weighted average market price of the Company Shares up to and including 24 July 2017 (being the last market day prior to the Price-Fixing Date), of RM1.43 per share.

The Proposals had completed on 2 August 2017 following the listing of and quotation for 39,038,400 new Company Shares on the Main Market of Bursa Securities on even date, comprising the following:

- (i) 19,561,000 Consideration Shares pursuant to the Proposed Acquisition; and
- (ii) 19,477,400 Placement Shares pursuant to the Proposed Private Placement, being the first and only tranche of the Proposed Private Placement.

Status of Utilisation of Private Placement Proceeds

Pursuant to the Private Placement Exercise which was duly completed upon the subscription and listing of the 19,477,400 Placement Shares at RM1.35 each on the Main Market of Bursa Malaysia Securities Berhad with effect from 2 August 2017, the gross proceeds raised from the Private Placement Exercise was RM26,294,490 and the current utilisation status as at 17 August 2017 is as set out below:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation	Deviation amount		Explanations
				Amount RM'000	%	
i. Working capital	25,594	18,263	Within 6 months	7,331	28.6	(a)
ii. Defrayment of estimated expenses related to Proposals	700	738	Upon completion	(38)	5.4	Under-estimation of professional cost
<b>Total</b>	<b>26,294</b>	<b>19,001</b>		<b>7,293</b>		

Note:-

- (a) The unutilised proceeds raised from the Private Placement are placed in short-term deposits with licensed banks.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

**B8. Group Borrowings and Debt Securities**

	As at 30 June 2017		
	Long term	Short term	Total
	RM'000	RM'000	borrowings RM'000
<b>Secured</b>			
- Term loan	67,176	133,890	201,066
- Hire purchase	619	1,940	2,559
- Revolving credit	-	5,000	5,000
- Bank overdrafts	-	96,426	96,426
	<u>67,795</u>	<u>237,256</u>	<u>305,051</u>
	As at 30 June 2016		
	Long term	Short term	Total
	RM'000	RM'000	borrowings RM'000
<b>Secured</b>			
- Term loan	101,867	123,464	225,331
- Hire purchase	2,274	8,075	10,349
- Revolving credit	-	5,000	5,000
- Bank overdrafts	-	57,619	57,619
	<u>104,141</u>	<u>194,158</u>	<u>298,299</u>

**B9. Material Litigation**

Saved as disclosed below, there is no other material litigation pending as at 17 August 2017, being a date not earlier than 7 days from the date of this report:-

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.

AQRS and Goodnite have now reached a full and final settlement amounting to RM5,660,329.00 in respect of the Sale and Purchase Agreement dated 3 November 2014 (~~±~~S&P~~±~~) and the Shah Alam High Court Suit No. 22NCVC-609-11/2015 by entering into Settlement Agreement between the Parties and Teo Yek Ming ("Teo" or referred as "Third Party") on 15 August 2017.



**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017**

**B9. Material Litigation (Cont'd)**

Subject to the terms and conditions stipulated in the Settlement Agreement and in consideration of the Third Party agreeing to pay RM5,660,329.00 as full and final settlement to AQRS, AQRS shall withdraw all actions against Goodnite with no liberty to file afresh and with no order as to costs subject upon terms and conditions hereinafter appearing. AQRS has filed in a notice of discontinuance on 22 August 2017 in view of the Settlement Agreement.

**B10. Dividend**

No dividend has been proposed by the Board of Directors for the current quarter ended 30 June 2017.

**B11. Status of Memorandum of Understanding announced**

On 20 July 2017, the Company announced that it had entered into a Memorandum of Understanding (MOU) with Tera Capital with intention to co-operate together to invest, construct, develop and operate a mixed integrated property development comprising of a hotel, serviced suites, residential apartments, retail shopping mall, office tower and ancillary services and facilities on 6.284 acres (Town Lease 017561974) One Jesselton Waterfront, Kota Kinabalu, Sabah, East Malaysia.

Unless mutually agreed in writing between the Company and Tera Capital for further extension, the MOU shall be valid for a period of three (3) months from the date of the MOU. The MOU remains status quo as at the latest practicable date of this report.

**B12. Earnings Per Share**

(a) Basic

The basic earnings per share is calculated by dividing the profit 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 6 months ended	
	30 June 17 RM'000	30 June 16 RM'000	30 June 17 RM'000	30 June 16 RM'000
Profit attributable to equity holders of the Company (RM'000)	7,229	6,273	23,371	10,024
Number of shares at the beginning of the year ('000)	390,384	390,484	390,384	390,484
Effect of Share Buy Back	-	(29)	-	(29)
Weighted average number of ordinary shares in issue (‘000)	390,384	390,455	390,384	390,455
<b>Basic earnings per share (sen)</b>	<b>1.85</b>	<b>1.61</b>	<b>5.99</b>	<b>2.57</b>

**GABUNGAN AQRS BERHAD**  
(Company No: 912527 - A)  
(Incorporated in Malaysia)  
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2017

**B12. Earnings Per Share (Cont'd)**

(b) Diluted

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 17 RM'000	30 June 16 RM'000	30 June 17 RM'000	30 June 16 RM'000
Profit attributable to equity holders of the Company (RM'000)	7,229	6,273	23,371	10,024
No of ordinary shares for basic earnings per share computation	390,384	390,455	390,384	390,455
Effect of dilution - on assumption that all warrants are exercised	159,984	- n/a -	159,984	- n/a -
No of ordinary shares for diluted earnings per share computation	550,368	390,455	550,368	390,455
<b>Diluted earnings per share (sen)</b>	<b>1.31</b>	<b>1.61</b>	<b>4.25</b>	<b>2.57</b>

**B13. Realised and Unrealised Retained Profits**

	As at 30 June 17 RM'000	As at 31 Dec 16 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	269,584	244,497
- Unrealised	(1,622)	(1,622)
	267,962	242,875
Total share of retained earnings from an associate:		
- Realised	66	204
Total share of accumulated losses from a joint venture:		
- Realised	(119)	(30)
	267,909	243,049
Less : Consolidation adjustments	(83,572)	(82,083)
Total retained earnings	184,337	160,966

**B14. Authorisation for Issue**

This interim financial report was authorised for issuance by the Board of Directors of the Company on 24 August 2017.