

## **GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

### **A Explanatory Notes in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting**

#### **A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2017. 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 2017.

#### **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 2017.

The financial statements of the Group for the financial period ended 30 June 2018 are prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) Framework. The date of transition to the MFRS Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:

##### **MFRS 9 Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In order to measure the consequences of this new standard, the Group has reviewed the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets.

In respect of impairment of financial assets, MFRS 9 replaces the ‘incurred loss’ model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments.

##### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group.

## (a) Reconciliation of financial position and equity

<b>Group 1 January 2017</b>	<b>Previously reported under FRSS RM'000</b>	<b>Effect on adoption of MFRSs RM'000</b>	<b>Effects of MFRS 15 RM'000</b>	<b>Effects of MFRS 9 RM'000</b>	<b>Restated under MFRSs RM'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	43,583	-	-	-	43,583
Land held for development	60,439	(60,439)	-	-	-
Investment property	37,782	-	-	-	37,782
Investment in a joint venture	225	-	-	-	225
Investment in an associate	3,526	-	-	-	3,526
Deferred tax assets	3,223	-	-	-	3,223
	<u>148,778</u>	<u>(60,439)</u>	<u>-</u>	<u>-</u>	<u>88,339</u>
<b>Current assets</b>					
Property development cost	244,973	(244,973)	-	-	-
Inventories	25,116	305,412	-	-	330,528
Trade and other receivables	522,376	-	(17,816)	(7,142)	497,418
Other investments	2,512	-	-	-	2,512
Current tax assets	335	-	-	-	335
Short term funds	952	-	-	-	952
Cash and bank balances	31,980	-	-	-	31,980
	<u>828,244</u>	<u>60,439</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>863,725</u>
<b>Total assets</b>	<u>977,022</u>	<u>-</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>952,064</u>
<b>Equity</b>					
Share capital	97,730	-	-	-	97,790
Share premium	85,545	-	-	-	85,545
Treasury shares	(510)	-	-	-	(510)
Retained earnings	160,966	-	(30,397)	(7,142)	123,427
	<u>343,731</u>	<u>-</u>	<u>(30,397)</u>	<u>(7,142)</u>	<u>306,192</u>
Non-controlling interests	6,893	-	-	-	6,893
<b>Total equity</b>	<u>350,624</u>	<u>-</u>	<u>(30,397)</u>	<u>(7,142)</u>	<u>313,085</u>
<b>Non-current liabilities</b>					
Borrowings	72,526	-	-	-	72,526
Deferred tax liabilities	2,932	-	-	-	2,932
	<u>75,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,458</u>

**GABUNGAN AQRS BERHAD**  
(Company No: 912527 - A)  
(Incorporated in Malaysia)  
Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

(a) Reconciliation of financial position and equity (Cont'd)

<b>Group</b>	<b>Previously reported under FRSS</b>	<b>Effect on adoption of MFRSs</b>	<b>Effects of MFRS 15</b>	<b>Effects of MFRS 9</b>	<b>Restated under MFRSs</b>
<b>1 January 2017</b>					
<b>Current liabilities</b>					
Trade and other payables	342,242	-	12,581	-	354,823
Borrowings	195,890	-	-	-	195,890
Current tax liabilities	12,808	-	-	-	12,808
	<u>550,940</u>	<u>-</u>	<u>12,581</u>	<u>-</u>	<u>563,521</u>
<b>Total liabilities</b>	<u>626,398</u>	<u>-</u>	<u>12,581</u>	<u>-</u>	<u>638,979</u>
<b>Total equity and liabilities</b>	<u>977,022</u>	<u>-</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>952,064</u>
<b>Group</b>					
<b>31 December 2017</b>					
<b>Non-current assets</b>					
Property, plant and equipment	32,253	-	-	-	32,253
Land held for development	37,931	(37,931)	-	-	-
Investment property	33,701	-	-	-	33,701
Investment in a joint venture	378	-	-	-	378
Investment in an associate	3,387	-	-	-	3,387
Deferred tax assets	2,938	-	-	-	2,938
Intangible assets	29,783	-	-	-	29,783
	<u>140,371</u>	<u>(37,931)</u>	<u>-</u>	<u>-</u>	<u>102,440</u>
<b>Current assets</b>					
Property development cost	193,140	(193,140)	-	-	-
Inventories	31,635	231,071	-	-	262,706
Trade and other receivables	616,876	-	(17,816)	(7,142)	591,918
Other investment	8,123	-	-	-	8,123
Current tax assets	922	-	-	-	922
Short term funds	86,054	-	-	-	86,054
Cash and bank balances	50,337	-	-	-	50,337
	<u>987,087</u>	<u>37,931</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>1,000,060</u>
<b>Total assets</b>	<u>1,127,458</u>	<u>-</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>1,102,500</u>
<b>Equity</b>					
Share capital	267,081	-	-	-	267,081
Treasury shares	(510)	-	-	-	(510)
Retained earnings	200,125	-	(30,397)	(7,142)	162,586
	<u>466,696</u>	<u>-</u>	<u>(30,397)</u>	<u>(7,142)</u>	<u>429,157</u>
Non-controlling interests	8,454	-	-	-	8,454
<b>Total equity</b>	<u>475,150</u>	<u>-</u>	<u>(30,397)</u>	<u>(7,142)</u>	<u>437,611</u>

**GABUNGAN AQRS BERHAD**  
 (Company No: 912527 - A)  
 (Incorporated in Malaysia)  
 Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

(a) Reconciliation of financial position and equity (Cont'd)

<b>Group 31 December 2017</b>	<b>Previously reported under FRSS RM'000</b>	<b>Effect on adoption of MFRSs RM'000</b>	<b>Effects of MFRS 15 RM'000</b>	<b>Effects of MFRS 9 RM'000</b>	<b>Restated under MFRSs RM'000</b>
<b>Non-current liabilities</b>					
Borrowings	29,183	-	-	-	29,183
Deferred tax liabilities	373	-	-	-	373
	<u>29,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,556</u>
<b>Current liabilities</b>					
Trade and other payables	430,773	-	12,581	-	443,354
Borrowings	158,977	-	-	-	158,977
Current tax liabilities	33,002	-	-	-	33,002
	<u>622,752</u>	<u>-</u>	<u>12,581</u>	<u>-</u>	<u>635,333</u>
<b>Total liabilities</b>	<u>652,308</u>	<u>-</u>	<u>12,581</u>	<u>-</u>	<u>664,889</u>
<b>Total equity and liabilities</b>	<u>1,127,458</u>	<u>-</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>1,102,500</u>

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective and have not applied by the Group:

- MFRS 16, Leases Effective 1 January 2019
- MFRS 128, Long term Interest in Associates and Joint Ventures (Amendments to MFRS 128) Effective 1 January 2019
- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Deferred

**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.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

**A7. Issuance and Repayment of Debt and Equity Securities**

During the current quarter, the Company increased its issued and paid up ordinary share capital by way of issuance of 8,626,500 ordinary shares of RM1.30 each pursuant to the exercise of warrants.

During the current quarter, the Company repurchased 20,029,200 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM20,590,194 at an average price of RM1.03 per ordinary share. During the financial year-to-date, a total of 20,564,702 shares purchased back were held as treasury shares with a total cost of RM21,100,075. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016 in Malaysia.

Save for the above, there was no issuance, cancellations, resale and repayments of debt and equity securities for the current quarter.

**A8. Dividend Paid**

On 13 June 2018, the Company paid a special dividend of 1.0 sen per ordinary share and an interim dividend of 2.0 sen per ordinary share, tax exempt under single-tier tax system amounting to RM13.916 million in respect of the financial year ending 31 December 2018.

**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018**

**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 2018</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	313,841	33,481	17,497	364,819
Inter segment revenue	(38,314)	-	(11,820)	(50,134)
Revenue from external customers	275,527	33,481	5,677	314,685
Interest income	343	1,828	1,163	3,334
Finance cost	(1,709)	(908)	(1,003)	(3,620)
Net finance expense	(1,366)	920	160	(286)
<b>Segment profit/(loss) before taxation</b>	<b>45,937</b>	<b>(820)</b>	<b>10,557</b>	<b>55,674</b>
Share of profit of an associate, net of tax	57	-	-	57
Share of profit of a joint venture, net of tax	-	-	632	632
Taxation	(11,581)	-	(1,652)	(13,233)
Other material non-cash item:				
- Depreciation	(5,433)	(110)	(1,096)	(6,639)
Additions to non-current assets other than financial instruments and deferred tax assets	6,631	-	20	6,651
<b>Segment assets</b>	<b>1,026,572</b>	<b>603,603</b>	<b>405,366</b>	<b>2,035,541</b>
<b>Segment liabilities</b>	<b>748,211</b>	<b>623,396</b>	<b>93,360</b>	<b>1,464,967</b>

**GABUNGAN AQRS BERHAD**  
**(Company No: 912527 - A)**  
**(Incorporated in Malaysia)**  
**Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018**

**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 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 Second Quarter ended 30 June 2018**

**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 Jun 18 RM'000</b>	<b>As at 30 Jun 17 RM'000</b>
<b>Revenue</b>		
Total revenue for reportable segments	364,819	247,974
Elimination of inter-segmental revenues	(50,134)	(9,200)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>314,685</u>	<u>238,774</u>
<b>Profit for the financial period</b>		
Total profit for reportable segments	55,674	36,009
Share of profit/(loss) of an associate, net of tax	57	(139)
Share of profit/(loss) of a joint venture, net of tax	632	(89)
Elimination of consolidation adjustments	(7,346)	258
Profit before tax	<u>49,017</u>	<u>36,039</u>
Tax expense	(13,233)	(10,913)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>35,784</u>	<u>25,126</u>
	<b>As at 30 Jun 18 RM'000</b>	<b>As at 30 Jun 17 RM'000</b>
<b>Assets</b>		
Total assets for reportable segments	2,035,541	1,796,368
Elimination of investment in subsidiaries and consolidation adjustments	(97,596)	(92,010)
Elimination on inter-segment balances	(629,883)	(602,945)
Total assets of the Group per consolidated statement of financial position	<u>1,308,062</u>	<u>1,101,413</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,464,967	1,331,594
Elimination of consolidation adjustments	(4,859)	(5,370)
Elimination on inter-segment balances	(619,051)	(600,561)
Total liabilities of the Group per consolidated statement of financial position	<u>841,057</u>	<u>725,663</u>



**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

**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 Jun 18 RM'000	As at 31 Dec 17 RM'000
Contracted but not provided for: - Freehold land held under development	<u>37,750</u>	<u>42,250</u>

**A15. Contingent Liabilities**

	As at 30 Jun 18 RM'000	As at 31 Dec 17 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>198,696</u>	<u>180,726</u>

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

**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****Group**

	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	
	30/6/2018	30/6/2017		30/6/2018	30/6/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	187,192	79,834	134.48	314,685	238,774	31.79
Profit Before Tax	27,039	10,187	165.43	49,017	36,039	36.01
Profit After Taxation	19,194	6,605	190.58	35,784	25,126	42.42

During the current quarter, the Group recorded revenue of RM187.2 million, a 134.5% increase compared to the previous corresponding quarter of RM79.8 million.

Meanwhile, our reported PAT improved by 190.6% to RM19.2 million or 4.16 sen per share in 2Q18 compared to RM6.6 million or 1.85 sen in 2Q17.

The Group remains efficient on its cost structure basis. Our operating expenses to revenue, a measure of group efficiency, stood at 5.6% for 2Q18.

Construction segment:

The Group's construction division reported a higher revenue of RM175.6 million in 2Q18 compared to RM81.3 million in 2Q17. Revenue for the current quarter was mainly contributed from the work progress for the Sungai Besi – Ulu Kelang (SUKE) Highway, Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) and Light Rail Transit 3 (LRT3) projects.

In terms of pre-tax profit, the division contributed about RM22.1 million, a 37.6% increase compared to the previous corresponding quarter of RM16.1 million in 2Q17. The higher pre-tax profit is in tandem with higher revenue as the projects have move to more advanced stages of construction.

Property development segment:

Our property development division reported a revenue of RM18.6 million in 2Q18, a 100% rise from the previous corresponding quarter. The increase in revenue is mainly due to the advancement of construction progress of our ongoing project in Johor Bahru, called "The Peak". Currently has a take-up rate of about 30.1% as at 30 June 2018. The Group is in the midst of gearing up to launch its E'Island Residence Development in Puchong, with a total GDV of RM491 million, offering 1,104 units of affordably priced apartments.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/06/2018	31/03/2018	
	RM'000	RM'000	
Revenue	187,192	127,493	46.83
Profit Before Tax	27,039	21,978	23.03
Profit After Taxation ('PAT')	19,194	16,590	15.70

The Group's revenue for the current quarter of RM187.2 million is 46.8% higher compared to the immediate preceding quarter of RM127.5 million. The Group's PAT staged a 15.7% increase compared to the immediate preceding quarter of RM16.6 million.

The increase in revenue is due to the increase and advance in work progress for both the construction and property development divisions. The higher progress for its ongoing jobs including SUKE, PPSAS and LRT3 were the key contributors to revenue.

The Group's balance sheet continues to see improvements compared to the immediate preceding quarter. As at 30 June 2018, the Group maintained its balance sheet with healthy cash balance of RM137.9 million in cash and bank balances, with its net gearing being maintained low at 0.12x despite ongoing business expansion. Going forward, we continue to expect the balance sheet to further strengthen.

	FYE 2016	FYE 2017	2Q 2018
	RM'000	RM'000	RM'000
Cash and bank balances	32,932	136,391	137,850
Gearing (Times)			
- Gross	0.77	0.40	0.42
- Net	0.67	0.11	0.12

**B3. Prospects**

The Group anticipates a better financial performance in FYE 2018 compared to FYE 2017 as the construction progress for its ongoing construction jobs picks up pace. We also expect further improvements to our property development division, led by the ongoing progress of The Peak, anticipated partial monetisation of the One Jesselton Waterfront development in Kota Kinabalu, Sabah and the inaugural launch of its latest property development, E'Island Residences.

The Group envisions a RM1.5 billion rise in new construction order book by Financial Year 2018 which will continue to positively contribute to the Group's revenue and profit sustainability.

**(a) Construction division**

As at 30 June 2018, The Group's construction order book stood at RM2.5 billion, which would easily sustain our earnings momentum till the year 2021. Looking ahead, The Group targets to secure more infrastructure related jobs.

In a recent statement by Minister of Works Baru Bian, the Government has indicated that it will use an open tender system with transparency and extensively for government projects, especially for large scale jobs to ensure public funds are being well spend. Minister Baru Bian also indicated that the Government was estimated to spend over RM100 billion annually for procurement purposes through various projects and contracts. (Source: The New Straits Times)

## **GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

### **B3. Prospects (Cont'd)**

#### **(a) Construction division (Cont'd)**

The Group believes that it would stand to benefit with a more transparent project tendering process given its strong technical capability, a good track record and a solid financial position. To highlight, when we secured both the Light Rail Transit 3 (LRT3) and Sungai Besi – Ulu Kelang Highway (SUKE) packages, our technical team enhanced the designs given by the client via value-engineering which resulted in a more efficient construction method, enabling our clients to save costs.

To-date, we have submitted our tenders for the Pan Borneo Highway Sabah (PBHS) together with Sabah State's Suria Capital Holdings. Aside that, we control a 49% stake in a precast manufacturing plant in Tuaran, Sabah called Sedco Precast, together with the Sabah Economic Development Corporation (SEDCO). Our SEDCO Precast plant has been receiving orders to supply precast components for the Pan Borneo Highway in Sabah and has the capacity to supply to other packages of PBHS. In addition, we have also submitted our tenders for the East Coast Rail Line (ECRL) as well as other building and infrastructure projects in Selangor and Pahang.

We also look forward to secure more construction jobs in Kota SAS, particularly State and Federal building related works. Presently, we are undertaking two key jobs in Kota SAS which are: a) the construction of the new Pahang State Assembly Complex (PPSAS) and b) a contract to design and build 1,004 units of landed homes together with its infrastructure.

#### **(b) Property Development Division**

The Group's property development division would continue to focus on achieving new milestones for our flagship development, One Jesselton Waterfront in Kota Kinabalu, complete our Johor Bahru development dubbed The Peak and undertake the inaugural launch of our E'Island Residence, an affordable price high rise development in Puchong, Selangor. As at 30 June 2018, our unbilled sales stood at RM127.6 million, while our unsold property units valued at RM485.7 million.

Barring any unforeseen circumstances, The Group expects the property development arm to be a significant contributor to cashflow from 2019 to 2022. The future cashflows would primarily be driven by its current completed-unsold inventories, boosted by future sales of The Peak and progress billings from E'Island Residence, once officially launched.

Presently, the Group has RM42.5 million worth of unsold and completed inventories of developments which include landed homes in Melawati and shop-houses in Kinrara Uptown, Puchong. Monetisation of these assets would immediately provide the Group with up to RM42.5 million in net cash proceeds.

In addition, The Group is in the midst of enhancing the design of its The Peak development in Johor Bahru to entice new buyers when the property is due to be delivered progressively from 1Q19. Currently, there is about RM443.2 million of unsold inventories for the development. The strategy for The Peak is to complete the construction of the development at an approximate cost of RM130.0 million, which would be financed by a combination of RM95.0 million of unbilled sales for The Peak and the remaining by internal funding. In return, the development could generate RM443.2 million worth of net cash proceeds for the Group, which we expect to be monetised progressively over 2019-2022. Note that all borrowings for The Peak has been settled and the development is currently free of any encumbrances.

## **GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

### **B3. Prospects (Cont'd)**

#### (b) Property Development Division (Cont'd)

We foresee that the Johor Bahru property market would start to turn positive from 2018 onwards. A significant catalyst that will spur up the market is the bilateral agreement between Malaysia and Singapore for the construction of Johor Bahru-Singapore Rapid Transit System (RTS) which was signed in Jan 2018. Upon the BRT's completion in 2024, the RTS will provide seamless public transportation from Johor Bahru Bukit Chagar Station to Singapore Woodlands North Station with capacity of 10,000 passengers each direction every hour.

To complement the RTS, a BRT system will be built in Johor Bahru with several stations, one of which will be located in front of The Peak. The BRT system will connect The Peak to the RTS Bukit Chagar Station with estimated travelling time of 15 minutes. It would provide future residents of The Peak a hustle free integrated public transportation to Singapore. The BRT will also connect to the HSR station with estimated travelling time of 25 minutes from The Peak. Aside that, Eastern Dispersal Link (EDL), which passes in front of The Peak and connects to the JB City Centre is toll free effective 1 Jan 2018, saving the average motorist RM16.50 per roundtrip. With the seamless public transportation systems (BRT and RTS) in place with major highways close by, The Peak's connectivity would be greatly enhanced and be a well sought-after property.

Furthermore, to the abovementioned projects, The Group is in the midst of preparing the official launch for the E'Island Residence in Puchong in December 2018. The RM491 million GDV development would house a total of 1,140 units of affordably priced apartments across 4 towers on a 19-acre parcel of land. While the units are priced between RM280,000 to RM495,000 per unit, about 70% of the units offered are priced between the RM350,000 to RM370,000 mark.

To further enhance value to buyers, we would partially furnish the apartments with high-quality products, including kitchen cabinets and wardrobes by Signature kitchen, amongst other appliances that would be fitted in. Since registration commenced in 30 April 2018, we have been receiving encouraging response from potential buyers. The development comes with lakefront play pool with slides, lakefront gymnasium, lakefront boardwalk/jogging and cycling track, indoor badminton courts, indoor futsal court, indoor basketball court, kindergarden and nursery, convenient stores and many more. It is also equipped with state of the art smart phone bluetooth access control and carpark storage area. All four blocks are designed with dedicated high ceiling main lobbies with covered drop-off. There are also 32 special garden units with private gardens and direct access to sheltered carpark in front of the units at ground floor.

The development is strategically located. Flanked by Elite Highway, SKVE, LDP, Mex Highway and Lingkaran Putrajaya, E'Island Residence is located in the hustle city of Puchong, Selangor. The development is located about 15 minutes to Bandar Puteri Puchong and 20 minutes to Cyberjaya and Putrajaya, with 9 shopping malls and hypermarkets and 7 higher education centres within 10km radius.

The Group remains confident that with its outstanding construction order book and its current property developments, it will be able to deliver satisfactory performance from the financial year 2018 onwards.

### **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 Second Quarter ended 30 June 2018

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

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 Jun 18 RM'000	30 Jun 17 RM'000	30 Jun 18 RM'000	30 Jun 17 RM'000
Interest income	1,005	304	3,334	430
Other income	14	148	147	445
Interest expense (excluding interest capitalised)	(1,559)	(3,365)	(3,620)	(7,250)
Depreciation and amortisation	(3,355)	(3,501)	(6,639)	(7,771)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	-	(1,918)	-	(1,918)
Gain on disposal of property, plant and equipment	-	-	288	40
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 Jun 18 RM'000	30 Jun 17 RM'000	30 Jun 18 RM'000	30 Jun 17 RM'000
Current taxation				
- Current year	7,244	3,582	12,674	10,913
Deferred taxation				
- Current year	601	-	(17)	-
- Prior years	-	-	576	-
	601	-	559	-
	7,845	3,582	13,233	10,913

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

**B7. Status of Corporate Proposals Announced**

There was no corporate proposal announced but not completed as at the date of this report except for on 25 June 2018, the Company proposes to undertake the proposed bonus issue of warrants ("Warrants B") on the basis of one (1) Warrant B for every four (4) existing ordinary shares in the Company held on an entitlement date to be determined and announced later. Further details of the proposed bonus issue of warrants is available via the Bursa Malaysia announcements dated 25 June 2018.

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

**B8. Group Borrowings and Debt Securities**

	As at 30 Jun 2018		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
<b>Secured</b>			
- Term loan	23,919	13,891	37,810
- Hire purchase	4,034	1,266	5,300
- Revolving credit	-	3,000	3,000
- Bank overdrafts	-	150,110	150,110
	<u>27,953</u>	<u>168,267</u>	<u>196,220</u>
	As at 30 Jun 2017		
	Long term RM'000	Short term RM'000	Total 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>

**B9. Material Litigation**

Saved as disclosed below, there is no other material litigation pending as at the date of this report.

- (a) Trusvest Sdn Bhd (“TSB”) v Seri Wilayah Engineering Sdn Bhd & Ors  
(Suit No. BKI-22NCVC-23/3-2018 (HC2)) (“1st Suit”)

This suit is premised on a dispute in relation to a project known as the Provision of Accommodation on Base Camp Concept Complete with Necessary Facilities for Petronas Chemicals Fertiliser Sabah Sdn Bhd (“PCFSSB”) (“Project”). PCFSSB appointed Seri Wilayah Engineering Sdn Bhd (“SWESB”) and REMT Utama Sdn Bhd (“RUSB”) (collectively referred to as the “Consortium”) as the main contractor for the Project and the Consortium then appointed TSB as the main sub-contractor for the Project pursuant to a sub-contract.

TSB alleges that the Consortium had breached the terms and conditions of the sub-contract between the parties and pleaded various causes of actions against the defendants including inducing breach of contract, breach of statutory and fiduciary duties, fraud, collusion and conspiracy.

On 29 March 2018, TSB filed its Writ and Statement of Claim against the Consortium, Norahmad Bin Yussuff, Azhar Khan Bin Badil Zaman, Gabungan Strategik Sdn Bhd (“GSSB-Nominal Defendant”), Syarikat Muhibah Perniagaan & Pembinaan Sdn Bhd (“SMPPSB-Nominal Defendant”) and Imaprima Sdn Bhd (“ISB”) (collectively referred to as the “Defendants”) alleges that the Consortium had breached the terms of the sub-contract entered into between TSB and the Consortium and seeking several declaratory reliefs including an order to pay RM6,017,627.52 into a designated bank account, damages as may be applicable and costs from the Defendants save and except for GSSB.

## **GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

- (b) Gabungan Strategik Sdn Bhd v Imaprima Sdn Bhd & Ors  
(Suit No. BKI-22NCVC-44/5-2018 (HC2)) ("2nd Suit")

This 2nd Suit is in relation to the same line of dispute as in the 1st Suit. Where the 1st Suit concerns dispute between the main contractors whilst the 2nd Suit concerns disputes between the sub-contractors.

On 17 May 2018, GSSB filed its Writ and Statement of Claim against SMPPSB (Nominal Defendant), ISB, the Consortium, Norahmad Bin Yussuff, Azhar Khan Bin Badil Zaman and TSB (collectively referred to as the "Defendants") seeking several declaratory reliefs, an order to pay an aggregate of RM971,516.80, damages including interest, as may be applicable and costs from the Defendants save and except for TSB

On 5 July 2018, the Court granted an injunction in favour of TSB against SWESB and RUSB with costs pending full and final disposal of the matter. The 1st Suit is now fixed for case management on 23 July 2018.

The Defendants for the 2nd Suit except for RUSB have filed their defence on 5 July 2018 and SWESB has also filed a counter claim against GSSB on 5 July 2018. GSSB is due to file its reply to the defence to the counter-claim on 27 July 2018. No case management date has been fixed for the 2nd Suit.

The solicitors acting for TSB and GSSB are of the view that TSB and GSSB have good prospect of success in the 1st Suit and 2nd Suit as well as defending in the counter claim mounted by SWESB against GSSB in the 2nd Suit.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

### **B10. Dividend**

No dividend has been proposed by the Board of Directors for the current quarter ended 30 June 2018.

### **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.

The amended land title for the One Jesselton project (TL 017561974) has been issued by Lands and Surveys Department Sabah on 4 April 2018 and received by the Company on 5 April 2018. The updated land title has captured the amendment of permission to extend Owner Covenants to complete construction of a building until January 2023 from the original January 2019.

With the updated land title, the Company has initiated the update valuation of the commercial land and discussion with financial institution to charge the land. Both the Company and Tera Capital have also started updating the market study of the 432 keys hotel, 280 units serviced suites and 340 units condominiums.



**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

**B11. Status of Memorandum of Understanding announced (Cont'd)**

The Company is working closely with the architect to update the design layout with the target submission of the Development Plan by 4th quarter 2018. Based on the design layout, the Company has also started the phase 1 site investigation ("S.I.") works on site and completed in April 2018. Phase 2 S.I. works is targeting to commence upon Suria handing over the vacant possession of the existing Jesselton Point ticketing hall.

The Company has also completed the design of the temporary ticketing hall and obtained Building Plan (BP) approval in December 2017. However, Suria has informed the Company in February 2018 that they have decided to change the design brief to the approved ticketing hall with reduced area and budget. The Company is now updating the changes and target to resubmit to authority by early June 2018.

Based on the updates above, the Company and Tera Capital have mutually agreed to further extend the existing MOU until 31 December 2018. Except as expressly modified by way of the extended MOU, the other terms and conditions of the MOU shall remain unchanged and in full force.

**B12. Earnings Per Share**

## (a) Basic

The basic earnings per share are 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		Cumulative Quarter	
	3 months ended		6 months ended	
	30 Jun 18	30 Jun 17	30 Jun 18	30 Jun 17
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	19,097	7,229	35,570	23,371
Weighted average number of ordinary shares ('000)	458,904	390,384	458,904	390,384
<b>Basic earnings per share (sen)</b>	<b>4.16</b>	<b>1.85</b>	<b>7.75</b>	<b>5.99</b>

**GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Second Quarter ended 30 June 2018

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

## (b) Diluted

Diluted earnings per share are 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 Jun 18 RM'000	30 Jun 17 RM'000	30 Jun 18 RM'000	30 Jun 17 RM'000
Profit attributable to equity holders of the Company (RM'000)	19,097	7,229	35,570	23,371
Weighted average number of ordinary shares ('000)	573,380	390,384	573,380	390,384
<b>Diluted earnings per share (sen)</b>	<b>3.33</b>	<b>1.85</b>	<b>6.20</b>	<b>5.99</b>

**B13. Authorisation for Issue**

This interim financial report was authorised for issue by the Board of Directors.