

28 Feb 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2019 RM'000	PRECEDING YEAR QUARTER 31 Dec 2018 RM'000	CURRENT YEAR TO DATE 31 Dec 2019 RM'000	PRECEDING YEAR TO DATE 31 Dec 2018 RM'000
Revenue	79,849	111,374	412,978	585,330
Cost of sales	(71,790)	(94,829)	(330,060)	(462,074)
Gross profit	8,059	16,545	82,918	123,256
Other income	12,188	14,904	18,742	19,614
Operating costs	(14,936)	(14,786)	(47,684)	(51,393)
Finance cost	(1,143)	(672)	(4,242)	(5,396)
Share of profit / (loss) of a joint venture	304	(112)	602	961
Share of profit / (loss) of an associate	54	(69)	174	(80)
Profit before tax	4,526	15,810	50,510	86,962
Tax expense	1,128	(4,033)	(11,400)	(21,851)
Profit for the financial period	5,654	11,777	39,110	65,111
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the financial period	5,654	11,777	39,110	65,111
Attributable to:				
Owners of the parent	5,403	8,594	38,521	61,210
Non-controlling interests	251	3,183	589	3,901
	5,654	11,777	39,110	65,111
Earnings per ordinary share attributable to equity holders of the Company (sen) :				
- Basic	1.10	1.83	7.86	13.05
- Diluted	0.89	1.46	6.18	10.40

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	(UNAUDITED) AS AT 31 Dec 2019 RM'000	(AUDITED) AS AT 31 Dec 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	19,931	30,922
Right-of-use assets	10,160	-
Investment properties	32,908	33,007
Investment in a joint venture	1,342	739
Investment in an associate	3,482	3,307
Deferred tax assets	6,220	3,008
Intangible assets	28,711	29,783
	<u>102,754</u>	<u>100,766</u>
Current assets		
Inventories	417,940	378,990
Trade and other receivables	189,285	239,588
Contract assets	630,522	562,969
Other investment	225	1,328
Current tax assets	2,606	1,344
Short term funds	1,922	36,725
Cash and bank balances	137,502	91,847
	<u>1,380,002</u>	<u>1,312,791</u>
TOTAL ASSETS	<u>1,482,756</u>	<u>1,413,557</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	325,546	324,241
Treasury shares	(1,428)	(17,242)
Retained earnings	187,150	164,831
	<u>511,268</u>	<u>471,830</u>
Non-controlling interests	<u>6,211</u>	<u>5,620</u>
TOTAL EQUITY	<u>517,479</u>	<u>477,450</u>
Non-current liabilities		
Borrowings	31,309	28,920
Lease liabilities	6,517	-
Deferred tax liabilities	327	227
	<u>38,153</u>	<u>29,147</u>
Current liabilities		
Trade and other payables	666,612	674,167
Contract liabilities	27,097	34,710
Borrowings	222,874	176,787
Lease liabilities	3,575	-
Current tax liabilities	6,966	21,297
	<u>927,124</u>	<u>906,961</u>
TOTAL LIABILITIES	<u>965,277</u>	<u>936,108</u>
TOTAL EQUITY AND LIABILITIES	<u>1,482,756</u>	<u>1,413,558</u>
Net assets per share attributable to owners of the parent (RM)	1.04	0.99

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

	I-----ATTRIBUTABLE TO OWNERS OF THE PARENT-----I					
	I-----Non-distributable-----I		Distributable		Non-	
	Share	Treasury	Retained	Total	controlling-	Total
	capital	shares	earnings		interests	equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	324,241	(17,242)	164,831	471,830	5,620	477,450
Profit for the financial period /						
Total comprehensive income for the period	-	-	38,521	38,521	589	39,110
Dividend paid	-	8,802	(16,204)	(7,402)	-	(7,402)
Gain on resale of treasury shares	1,305	-	-	1,305	-	1,305
Ordinary shares resold in open market	-	7,012	-	7,012	-	7,012
Strike off of subsidiary	-	-	2	2	2	4
	1,305	15,814	22,319	39,438	591	40,029
Balance as at 31 December 2019	325,546	(1,428)	187,150	511,268	6,211	517,479

	I-----ATTRIBUTABLE TO OWNERS OF THE PARENT-----I					
	I-----Non-distributable-----I		Distributable		Non-	
	Share	Treasury	Retained	Total	controlling-	Total
	capital	shares	earnings		interests	equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	267,081	(510)	200,125	466,696	8,454	475,150
Effect on adoption of MFRS	-	-	(73,037)	(73,037)	(375)	(73,412)
Balance as at 1 January 2017 as reported under MFRS	267,081	(510)	127,088	393,659	8,079	401,738
Profit for the financial period /						
Total comprehensive income for the period	-	-	61,210	61,210	3,901	65,111
Dividend paid	-	-	(23,467)	(23,467)	(6,360)	(29,827)
Gain on resale of treasury shares	1,107	3,950	-	5,057	-	5,057
Issuance of ordinary shares pursuant to exercise of warrants	56,053	-	-	56,053	-	56,053
Shares repurchased	-	(20,682)	-	(20,682)	-	(20,682)
Shares resale	-	-	-	-	-	-
	57,160	(16,732)	37,743	78,171	(2,459)	75,712
Balance as at 31 December 2018	324,241	(17,242)	164,831	471,830	5,620	477,450

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 2018 and the accompanying notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

	Current Period Ended 31 Dec 2019 RM'000	Preceding Period Ended 31 Dec 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	50,510	86,962
Adjustments for :		
Bad debts written-off	51	355
Depreciation of:		
- Property, plant and equipment	8,908	12,640
- Rights-of-use assets	1,428	-
Fair value adjustment on other investment	(5,024)	6,795
Gain on disposal of property, plant and equipment	(841)	(412)
Gain on lease modification	(11)	-
Impairment loss on fair value adjustment on other investments	90	-
Impairment losses of intangible assets	1,072	-
Impairment losses of trade and other receivables	6,095	3,375
Interest expense	4,242	5,396
Interest income	(4,522)	(5,027)
Property, plant and equipment written off	31	248
Reversal of impairment losses of trade and other receivables	(4,795)	(11,413)
Share of loss of a joint venture	(602)	(961)
Share of (loss) / profit of an associate	(174)	80
Operating profit before changes in working capital	56,458	98,038
Changes in working capital:		
Inventories	(38,950)	(85,649)
Trade and other receivables	(12,564)	(248,192)
Trade and other payables	(22,570)	244,001
Cash (used in) / generated from operating activities	(17,626)	8,198
Interest paid	(3,007)	(3,004)
Interest received	4,522	5,027
Tax paid	(30,216)	(34,748)
Tax refunded	112	801
Net cash used in operating activities	(46,215)	(23,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from a joint venture	-	600
Purchase of property, plant and equipment	(3,691)	(5,945)
Purchase of investment property	-	(4)
Proceeds from disposals of property, plant and equipment	1,029	446
Placement of fixed deposits pledged	(29,103)	(38,961)
Strike off of subsidiary	4	-
Net cash used in investing activities	(31,761)	(43,864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,235)	(2,392)
Proceeds from issuance of share pursuant to exercise of warrants	-	56,053
Repurchase of shares	-	(20,682)
Resale of treasury shares	8,317	5,057
Repayments to hire purchase payables	-	(1,205)
Payments of lease liabilities for principal portion	(1,048)	-
Dividend paid	-	(23,467)
Dividend paid to non-controlling interest of a subsidiary	-	(6,360)
Drawdowns of term loans	15,443	14,557
Repayments of term loans	(10,292)	(45,757)
Repayments of revolving credits	-	(2,000)
Net cash from / (used in) from financing activities	11,185	(26,196)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(66,791)	(93,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	(112,449)	(18,663)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(179,240)	(112,449)

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

	As at 31 Dec 2019 RM'000	As at 31 Dec 2018 RM'000
Cash and bank balances	30,324	13,771
Fixed deposits with licensed banks	107,178	78,076
Short term funds	1,922	36,725
	139,424	128,572
Less : Bank overdrafts included in borrowings	(211,486)	(162,945)
Fixed deposits pledged	(107,178)	(78,076)
Total cash and cash equivalents	(179,240)	(112,449)

GABUNGAN AQRS BERHAD

(Company No: 201001028608 (912527-A))

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019

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 2018. 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 2018.

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 2018, except for the following pronouncement due to the adoption of MFRS 16 “Leases”.

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases – Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. Right-of-use asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 Property, Plant and Equipment whereas lease liability is accreted to reflect the interest and is reduced to reflect lease payments made.

Lessor accounting remains similar to the current standard which continues to be classified as a finance or operating lease.

The Group adopted the modified retrospective approach and not restate prior year/period comparatives information which remain as previously reported under MFRS117 and related interpretations. The effects of adopting MFRS 16 to the Group as at 1 January 2019 were as follows:

Statements of financial Position	31 Dec 2018 RM'000	Effects of MFRS 16 RM'000	1 Jan 2019 RM'000
Non-current assets			
Right-of-use assets	-	10,949	10,949
Non-current liabilities			
Lease liabilities	-	7,958	7,958
Current liabilities			
Lease liabilities	-	3,023	3,023

GABUNGAN AQRS BERHAD**(Company No: 201001028608 (912527-A))****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019****A2. Changes in Accounting Policies (Cont'd)**

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 been applied by the Group:

Title	Effective Date
MFRS 3 Definition of a Business (Amendments to MFRS 3)	1 January 2020
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred
MFRS 101 Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 108 Definition of Material (Amendments to MFRS 108)	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021

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 and financial year-to-date.

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 and financial year-to-date.

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 and shares held as treasury shares for the current quarter.

During the financial year-to-date, the Company: -

- a) increased its issued and paid up ordinary share capital by way of issuance of 262 ordinary shares of RM1.12 each pursuant to the exercise of warrants.

GABUNGAN AQRS BERHAD

(Company No: 201001028608 (912527-A))

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019

A7. Issuance and Repayment of Debt and Equity Securities (Cont'd)

During the financial year-to-date, the Company: - (Cont'd)

- b) sold a total of 6,250,500 ordinary shares that were held as treasury shares above in the open market. The details of the resale of treasury shares were as follows: -

Month	No. of Treasury Share Re-sold	Re-sale Price per Treasury Share (RM)			Total Consideration Received (RM)
		Lowest	Highest	Average	
Feb 2019	400,000	1.09	1.13	1.12	448,515.00
Feb 2019	200,000	1.10	1.14	1.14	227,247.60
Feb 2019	750,000	1.12	1.18	1.16	867,129.00
Feb 2019	250,000	1.12	1.18	1.18	294,026.50
Mar 2019	10,000	1.12	1.19	1.19	11,820.75
Mar 2019	240,000	1.14	1.24	1.19	284,606.11
Mar 2019	293,500	1.20	1.25	1.24	363,106.35
Mar 2019	206,700	1.21	1.26	1.25	257,477.91
Mar 2019	249,800	1.19	1.28	1.26	313,652.68
Mar 2019	51,000	1.28	1.38	1.37	69,404.66
Apr 2019	20,000	1.37	1.37	1.37	27,217.52
Apr 2019	1,179,000	1.37	1.41	1.39	1,634,516.82
Apr 2019	413,500	1.42	1.44	1.43	587,388.86
Apr 2019	2,400	1.44	1.44	1.44	3,412.56
Apr 2019	584,100	1.44	1.46	1.45	844,154.78
Apr 2019	600,000	1.46	1.48	1.47	878,930.64
Apr 2019	600,000	1.49	1.52	1.50	898,859.05
Jul 2019	200,500	1.53	1.54	1.53	305,701.44
Total	6,250,500				8,317,168.23

As at the end of the current quarter and financial year-to-date, a total of 1,165,744 shares were held as treasury shares.

A8. Dividend Paid

There is no dividend payment in current quarter.

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.

GABUNGAN AQRS BERHAD**(Company No: 201001028608 (912527-A))****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019****A9. Segmental Information (Cont'd)**

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

12 months ended 31 December 2019	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	427,403	21,320	21,299	470,022
Inter segment revenue	(46,327)	(773)	(9,944)	(57,044)
Revenue from external customers	381,076	20,547	11,355	412,978
Interest income	4,270	37	215	4,522
Finance cost	(2,631)	(10)	(1,601)	(4,242)
Net finance expense	1,639	27	(1,386)	280
Segment profit/(loss) before taxation	108,238	(5,817)	10,314	112,735
Share of profit of an associate, net of tax	174	-	-	174
Share of profit of a joint venture, net of tax	-	-	602	602
Taxation	(10,755)	(66)	(579)	(11,400)
Other material non-cash item:				
- Depreciation	(7,629)	(159)	(1,318)	(9,106)
Additions to non-current assets other than financial instruments and deferred tax assets	2,670	612	57	3,339
Segment assets	1,090,156	548,133	427,847	2,066,136
Segment liabilities	816,722	417,381	43,235	1,277,338

GABUNGAN AQRS BERHAD**(Company No: 201001028608 (912527-A))****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019****A9. Segmental Information (Cont'd)**

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

12 months ended 31 December 2018	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	621,541	24,507	83,956	730,004
Inter segment revenue	(72,072)	-	(72,602)	(144,674)
Revenue from external customers	549,469	24,507	11,354	585,330
Interest income	1,165	1,940	1,923	5,028
Finance cost	(2,716)	(597)	(2,083)	(5,396)
Net finance expense	(1,551)	1,343	(160)	(368)
Segment profit/(loss) before taxation	60,024	53,686	38,617	152,327
Share of loss of an associate, net of tax	(80)	-	-	(80)
Share of profit of a joint venture, net of tax	-	-	961	961
Taxation	(17,953)	366	(4,264)	(21,851)
Other material non-cash item:				
- Depreciation	(11,121)	(199)	(1,320)	(12,640)
Investment in an associate	3,307	-	-	3,307
Investment in a joint venture	-	-	739	739
Additions to non-current assets other than financial instruments and deferred tax assets	9,318	156	1,575	11,049
Segment assets	947,751	498,959	508,090	1,954,800
Segment liabilities	745,015	288,603	131,989	1,165,607

GABUNGAN AQRS BERHAD**(Company No: 201001028608 (912527-A))****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019****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 31 Dec 19 RM'000	As at 31 Dec 18 RM'000
Revenue		
Total revenue for reportable segments	470,022	730,004
Elimination of inter-segmental revenues	(57,044)	(144,674)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>412,978</u>	<u>585,330</u>
Profit for the financial period		
Total profit for reportable segments	112,735	152,327
Share of profit of an associate, net of tax	174	(80)
Share of profit of a joint venture, net of tax	602	961
Elimination of consolidation adjustments	(63,001)	(66,246)
Profit before tax	50,510	86,962
Tax expense	(11,400)	(21,851)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>39,110</u>	<u>65,111</u>
	As at 31 Dec 19 RM'000	As at 31 Dec 18 RM'000
Assets		
Total assets for reportable segments	2,066,136	1,954,800
Elimination of investment in subsidiaries and consolidation adjustments	(308,806)	(325,415)
Elimination on inter-segment balances	(274,574)	(215,828)
Total assets of the Group per consolidated statement of financial position	<u>1,482,756</u>	<u>1,413,557</u>
Liabilities		
Total liabilities for reportable segments	1,277,338	1,165,607
Elimination of consolidation adjustments	(4,586)	(13,671)
Elimination on inter-segment balances	(307,475)	(215,828)
Total liabilities of the Group per consolidated statement of financial position	<u>965,277</u>	<u>936,108</u>

GABUNGAN AQRS BERHAD**(Company No: 201001028608 (912527-A))****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019****A10. Valuation of Property, Plant and Equipment**

There is no valuation of property, plant and equipment performed in the current quarter and financial year-to-date.

A11. Acquisition/Disposal of Property, Plant and Equipment

There was no material acquisition or disposal of property, plant and equipment during the current quarter and financial year-to-date.

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 31 Dec 19 RM'000	As at 31 Dec 18 RM'000
Contracted but not provided for:		
- Freehold land held under development	<u>688</u>	<u>21,250</u>

A15. Contingent Liabilities

	As at 31 Dec 19 RM'000	As at 31 Dec 18 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>205,506</u>	<u>200,388</u>

GABUNGAN AQRS BERHAD

(Company No: 201001028608 (912527-A))

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019

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 (4 th Quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/12/2019	31/12/2018		31/12/2019	31/12/2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	79,849	111,374	(28.31)	412,978	585,330	(29.45)
Profit Before Tax	4,526	15,810	(71.37)	50,510	86,962	(41.92)
Profit After Taxation	5,654	11,777	(51.99)	39,110	65,111	(39.93)

During the current quarter, the Group recorded revenue of RM79.8 million, a 28.31% decrease compared to the 4Q18 of RM111.4 million. The decrease in Group revenue is due to the recognition of liquidated ascertained damages (LAD) for The Peak in Johor Bahru amounting to RM6.7 million and lower work progress achieved in the current quarter for construction segment.

Our reported PAT stood at RM5.7 million or 1.10 sen per share in 4Q19 compared to RM11.8 million or 1.83 sen in 4Q18. The decline is mainly due to the property development segment that has recognized the LAD for The Peak project.

Construction segment:

The Group's construction division reported a decrease in revenue of RM84.0 million in 4Q19 compared to RM140.6 million in 4Q18. The decline in revenue is due to the extension of completion date resulting from changes in interior design plan by the client for Pusat Pentadbiran Sultan Ahmad Shah project and the new work program for our LRT3 package which led to lower work progress for construction segment.

The construction division reported PBT of RM63.1 million in 4Q19, a 276% increase compared to the previous corresponding quarter. The increase is due to a one-off accounting adjustment (MFRS 9 – remeasurement of expected credit loss rate) which resulted in a non-cash gain of RM56 million. Excluding this, the construction division reported a core PBT of RM6.8 million in 4Q19, a decline of 79% compared to 4Q18, due to the slowdown in LRT3 works.

Property development segment:

The Group's property development division reported a revenue of RM5.4 million in 4Q19 compared to negative revenue of RM13.4 million in 4Q18. For the current quarter, the division recorded revenue of RM4.3 million from its project E'Island Lake Haven while recognizing a negative RM6.7 million LAD for The Peak.

However, the property development division reported a loss before tax RM5.1 million in 4Q19 compared to a loss before tax of RM11.4 million in 4Q18. The loss before tax improved as a result of positive contributions from E'Island Lake Haven. Excluding the abovementioned LAD of RM6.7 million, the property development division registered a core PBT of RM1.6 million.

GABUNGAN AQRS BERHAD

(Company No: 201001028608 (912527-A))

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/2019	30/09/2019	
	RM'000	RM'000	
Revenue	79,849	118,793	(32.78)
Profit After Taxation ('PAT')	5,654	11,344	(50.16)

The Group's revenue for the current quarter of RM79.8 million is 32.8% lower compared to the immediate preceding quarter of RM118.8 million. The Group's PAT decreased by 50.16% as compared to the RM11.3 million in 3Q19. The decrease in revenue is due to lower work progress achieved in the current quarter for construction segment and the recognition of LAD for The Peak project for property development segment.

B3. Prospects

While the Group has been affected by the general slowdown in the local economy and the slowdown in the construction sector, our mitigation measures have been able to reduce the impact of the headwinds due to our constant assessment of business and operating fundamentals. This includes ensuring that Group expenses are well managed, creating better operating efficiency, enabling us to remain competitive and be able to quickly adapt to changes to business cycles within the sector. We constantly monitor our business operations to ensure that projects continue to be efficiently-managed, including the monitoring of it cash flows, operating expenses and finance cost. For example, our total operating cost recorded a 7.2% decline, our total finance cost declined by 22% respectively in FY2019 compared to FY2018, while our total finance cost to revenue stood at 1.0%.

We expect the Group revenue to improve in FYE 2020 compared to FYE 2019 as the construction progress for our largest construction job, LRT3, picks up coupled with higher revenue contribution from our property development division. Barring any unforeseen expenses, we are also expecting our operating expenses to further reduce in FYE 2020 compared to FYE 2019.

(a) Construction division

As of 31 December 2019, The Group's outstanding construction orderbook stood at RM1.8 billion, which would provide earnings visibility up to the year 2022. Our construction division is expected to be supported by a strong outstanding orderbook with a good mix of both infrastructure and building jobs. We would continue to place focus on efficiency executing these jobs to ensure that margins and cash generation are well guarded.

We have finalized and submitted our proposal to MRCB-George Kent (MRCBGK) which includes global variation to arrive at a final contract value and a new work program for our LRT3 package. Currently, we are waiting for the official approval of our proposal. Concurrently, since February 2020, we have fully mobilized our resources for our LRT3 package and expect work progress to be higher from hereon.

We own a 49% stake in Sabah's largest precast concrete manufacturing and IBS plant, Sedco Precast Sdn Bhd (Sedco Precast), with the Sabah Economic Development Corporation (SEDCO). Sedco Precast has been producing products for both key infrastructure and building projects, including for affordable homes in the Sabah State. Financial wise, SEDCO Precast reported revenue of RM12.3m and operating profit of RM1.8m, representing a -6% and 36% year-on-year growth respectively with further potential once the Sabah Pan Borneo Highway project goes ahead.

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Our property development division was revived on the 26 April 2019 with the inaugural launch of E'Island Lake Haven in Puchong and the relaunch of The Peak in Johor Bahru City Centre and Contours Melawati Heights. Since the relaunch of the division up to 31 December 2019, we have secured RM80 million worth of new property sales, mainly from E'Island Lake Haven and Contours Melawati Heights.

E'Island Lake Haven has been shortlisted for the first batch priority of approval under the Ministry of Housing and Local Government's initiative for private participation on the rent to own scheme that is to be launched by the government. Whereas, The Peak has been showcased in various roadshows within Malaysia and the region. We participated in the MM2H Malaysia My Second Home Expo in Hong Kong and various roadshows within Singapore.

On 24 January 2020, we signed a supplemental agreement with Suria Capital Holdings Berhad to vary certain terms of our joint-venture agreement in relation to our flagship development, One Jesselton Waterfront in Kota Kinabalu. One Jesselton Waterfront is an integrated waterfront development within Jesselton Waterfront City master plan. It would comprise a 390,000 sq ft NLA shopping mall, a 4-star hotel & spa, a Grade A corporate office tower, 330-units of waterfront condominiums and 325-units of serviced residences. It is poised to become an iconic landscape as the city's new waterfront and premier tourism frontier which is marina focused, complete with its own ferry jetty and international cruise terminal. All these developments are paving the way for the regeneration of the old Jesselton port area.

On the approval process, the Central Planning Board (CPB) has received the feedback from all technical departments for the development and is currently listing the interim development plan (IDP) to be tabled in the next CPB meeting for final approval. Concurrently, we are also in the midst of enhancing the product layout plans for the hotel, waterfront condominiums and serviced residences to meet the international standards.

We have completed all site investigation (S.I.) works on 11 June 2019 which are crucial for the design of the foundation work for the development. GBGAQRS is working with world renowned architects, designers and professionals to ensure that One Jesselton Waterfront would be designed in compliance with international seismic requirements.

The Group expects the property development division to be a significant contributor to cash flow from 2021 to 2024, given the low long-term borrowing of RM30 million against a total outstanding Gross Development Value of RM2.6 billion (excluding One Jesselton Premier Lifestyle Mall), representing a debt to GDV ratio of a negligible 1%.

As at 31 December 2019, our unbilled sales stood at RM158 million.

(c) Other Investments

The Petronas Basecamp in Sipitang, is part of the Group's strategy to expand its recurring income base. Currently, we have an agreement with Petronas to provide "base-camp" facilities in Sipitang, Sabah. Our first 5-years is set to expire in 1Q21 and we have commenced discussions with Petronas on the extension of rental agreement, which could positively contribute to earnings in the future. Currently, rental income received from this facility is being used to pare down borrowings undertaken to build the facility and is expected to be fully-paid by 1Q21.

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B4. Profit Forecast and Profit Estimate

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

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

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
	RM'000	RM'000	RM'000	RM'000
Interest income	3,317	890	4,522	5,027
Reversal of impairment losses of receivables	1,697	11,413	4,795	11,413
Other income	1,309	2,556	3,560	2,762
Interest expense (excluding interest capitalised)	(1,143)	(672)	(4,242)	(5,396)
Depreciation and amortisation	(1,747)	(2,535)	(9,106)	(12,640)
Impairment losses of receivables	(6,095)	(3,375)	(6,095)	(3,375)
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	(8)	(248)	(31)	(248)
Gain/(loss) on disposal of property, plant and equipment	839	89	841	412
Gain on disposal of quoted investments	5,024	*	5,024	*
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 12 months ended	
	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	941	6,125	13,790	25,081
- Previous year	1,013	(1,565)	721	(3,261)
	1,954	4,561	14,511	21,820
Deferred taxation				
- Current year	(455)	42	(484)	25
- Prior years	(2,627)	(570)	(2,627)	6
	(3,082)	(528)	(3,111)	31
	(1,128)	4,033	11,400	21,851

The Group effective tax rate for the cumulative quarter of 22.6% is lower than the statutory rate mainly due to recognition of deferred tax assets for impairment losses on trade receivables and contract assets.

B7. Status of Corporate Proposals Announced

There are no corporate proposals announced by the Company but not completed as at 21 February 2020, 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 31 Dec 2019			
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
- Term loan	31,309	9,387	40,696
- Hire purchase	-	-	-
- Revolving credit	-	2,000	2,000
- Bank overdrafts	-	211,487	211,487
	<u>31,309</u>	<u>222,874</u>	<u>254,183</u>
As at 31 Dec 2018			
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
- Term loan	25,184	10,360	35,544
- Hire purchase	3,736	1,482	5,218
- Revolving credit	-	2,000	2,000
- Bank overdrafts	-	162,945	162,945
	<u>28,920</u>	<u>176,787</u>	<u>205,707</u>

B9. Material Litigation

Trusvest Sdn Bhd ("Trusvest") and Gabungan Strategik Sdn Bhd ("GSSB") have on 29 March 2018 and 17 May 2018 respectively, commenced proceedings against several entities and/or individuals in relation to the Provision of Accommodation on Base-Camp Concept Complete with Necessary Facilities for PCFSSB ("Project") in the High Court of Kota Kinabalu, Sabah as follows:

In respect of the Suit filed by Trusvest ("1st Suit") the Defendants are Seri Wilayah Engineering Sdn Bhd ("1st Defendant"), REMT Utama Sdn Bhd ("2nd Defendant"), Norahmad Bin Yussuff ("3rd Defendant"), Azhar Khan Bin Badil Zaman ("4th Defendant"), Gabungan Strategik Sdn Bhd ("5th Defendant and also a nominal defendant"), Syarikat Muhibah Perniagaan & Pembinaan Sdn Bhd ("6th Defendant and also a nominal defendant"), and Imaprima Sdn Bhd ("7th Defendant").

In respect of the Suit filed by Gabungan ("2nd Suit"), the Defendants are Imaprima Sdn Bhd ("1st Defendant"), Syarikat Muhibah Perniagaan & Pembinaan Sdn Bhd ("2nd Defendant and also named as nominal defendant"), Seri Wilayah Engineering Sdn Bhd ("3rd Defendant"), REMT Utama Sdn Bhd ("4th Defendant"), Norahmad Bin Yussuff ("5th Defendant"), Azhar Khan Bin Badil Zaman ("6th Defendant"), Shir Zaman Bin Fazul Rahman ("7th Defendant").

The Company is pleased to announce that parties in both the 1st and 2nd Suit have reached an amicable settlement of the dispute and recorded a Consent Order before the High Court in Kota Kinabalu on 7 October 2019 which brings both litigation to an end.

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

B10. Dividend

No dividend has been proposed by the Board of Directors for the current quarter ended 31 December 2019.

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Reference is made to the announcements dated 20 July 2017, 19 October 2017, 16 January 2018, 13 April 2018, 28 May 2018, 28 August 2018, 28 November 2018, 31 December 2018, 29 March 2019, 28 June 2019, 1 July 2019 and 30 September 2019 made by the Company pertaining to the MOU between the Company and Tera Capital.

The Company has worked closely with Tera Capital on the development components and products and finalized the Master Plan. The Board of Directors of the Company is pleased to update that the Development Plan has been submitted as scheduled to Dewan Bandaraya Kota Kinabalu (DBKK) on 14 December 2018. The Company has also completed the phase 1 site investigation (S.I.) works in April 2018 and shown positive results. Suria has granted access to the current ticketing hall for the commencement of Phase 2 S.I. works on 27 March 2019. The Phase 2 S.I. work is located at the proposed highest tower, the 4 Star hotel and spa. Phase 2 S.I. works has been completed by early May and the full report has been completed on 15 June 2019. The compilation of Phase 1 & 2 S.I. report will be submitted to DBKK as part of the requirement for full development plan approval.

In addition, the Company has submitted the updated Interim Development Plan ("IDP") to Dewan Bandaraya Kota Kinabalu ("DBKK") on 17 June 2019, IDP has been circulated to Central Planning Board ("CPB") on 10 July 2019. All technical departments have received updated IDP on 1 August 2019. Site topography survey has commenced on 2 August 2019 and field work has been completed on 10 August 2019. The digital topography survey plan has been completed on 29 August 2019. CPB has received the feedbacks from all technical departments by 31 October 2019 and is currently listing the IDP to be tabled in next CPB meeting and final approval. These market further progress of milestones for development of One Jesselton Waterfront.

The Company and Tera Capital have mutually agreed to further extend the MOU on the collaboration of One Jesselton Waterfront Premier Lifestyle Mall and 4-Star Hotel until 30 June 2020.

Detailed design of the premier lifestyle mall and 4-star hotel & spa is currently being updated and to incorporate strategic tenants requirements and integration of luxury and modern technology.

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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 3 months ended		Cumulative Quarter 12 months ended	
	31 Dec 19 RM'000	31 Dec 18 RM'000	31 Dec 19 RM'000	31 Dec 18 RM'000
Profit attributable to equity holders of the Company (RM'000)	5,403	8,594	38,521	61,210
Number of shares at the beginning of the year ('000)	477,579	450,941	477,579	450,941
Share resale	4,769	1,570	4,769	1,570
Share repurchase	-	(11,957)	-	(11,957)
Warrants conversion	-	28,352	-	28,352
Dividend issue by shares	7,679	-	7,679	-
Weighted average number of ordinary shares ('000)	490,027	468,906	490,027	468,906
Basic earnings per share (sen)	1.10	1.83	7.86	13.05

(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 12 months ended	
	31 Dec 19 RM'000	31 Dec 18 RM'000	31 Dec 19 RM'000	31 Dec 18 RM'000
Profit attributable to equity holders of the Company (RM'000)	5,403	8,594	38,521	61,210
No of ordinary shares for basic earnings per share computation	490,027	468,906	490,027	468,906
Effect of dilution - on assumption that remaining warrants are exercised	119,395	119,395	119,395	119,395
Weighted average number of ordinary shares ('000)	609,422	588,301	609,422	588,301
Diluted earnings per share (sen)	0.89	1.46	6.32	10.40

B13. Authorisation for Issue

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