

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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 interim financial statements of the Group for the financial period ended 30 September 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 first-time adoption of 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 Third Quarter ended 30 September 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

Group 1 January 2017	Previously reported under FRSS RM'000	Effect on adoption of MFRSs RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	Restated under MFRSs RM'000
Non-current assets					
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>
Current assets					
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>
Total assets	<u>977,022</u>	<u>-</u>	<u>(17,816)</u>	<u>(7,142)</u>	<u>952,064</u>
Equity					
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
Total equity	<u>350,624</u>	<u>-</u>	<u>(30,397)</u>	<u>(7,142)</u>	<u>313,085</u>
Non-current liabilities					
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 Third Quarter ended 30 September 2018

A2. Changes in Accounting Policies (Cont'd)

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

Group	Previously reported under FRSS	Effect on adoption of MFRSS	Effects of MFRS 15	Effects of MFRS 9	Restated under MFRSS
1 January 2017					
Current liabilities					
Trade and other payables	342,242	-	12,581	-	354,823
Borrowings	195,890	-	-	-	195,890
Current tax liabilities	12,808	-	-	-	12,808
	550,940	-	12,581	-	563,521
Total liabilities	626,398	-	12,581	-	638,979
Total equity and liabilities	977,022	-	(17,816)	(7,142)	952,064
Group					
31 December 2017					
Non-current assets					
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
	140,371	(37,931)	-	-	102,440
Current assets					
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
	987,087	37,931	(17,816)	(7,142)	1,000,060
Total assets	1,127,458	-	(17,816)	(7,142)	1,102,500
Equity					
Share capital	267,081	-	-	-	267,081
Treasury shares	(510)	-	-	-	(510)
Retained earnings	200,125	-	(30,397)	(7,142)	162,586
	466,696	-	(30,397)	(7,142)	429,157
Non-controlling interests	8,454	-	-	-	8,454
Total equity	475,150	-	(30,397)	(7,142)	437,611

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

A2. Changes in Accounting Policies (Cont'd)

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

Group 31 December 2017	Previously reported under FRSS RM'000	Effect on adoption of MFRSs RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	Restated under MFRSs RM'000
Non-current liabilities					
Borrowings	29,183	-	-	-	29,183
Deferred tax liabilities	373	-	-	-	373
	<u>29,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,556</u>
Current liabilities					
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>
Total liabilities	<u>652,308</u>	<u>-</u>	<u>12,581</u>	<u>-</u>	<u>664,889</u>
Total equity and liabilities	<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 been applied by the Group:

Title	Effective Date
MFRS 16, Leases	1 January 2019
MFRS 128, Long term Interest in Associates and Joint Ventures (Amendments to MFRS 128)	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
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
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.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018

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

During the current quarter, the Company increased its issued and paid up ordinary share capital by way of issuance of 19,127,980 ordinary shares of RM1.30 each pursuant to the exercise of warrants.

During the current quarter, the Company repurchased 20,000 of its own ordinary shares each from the open market for a total consideration of RM20,931 at an average price of RM1.04 per ordinary share. During the financial year-to-date, a total of 20,584,702 shares purchased back were held as treasury shares with a total cost of RM21,192,286. 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.

During the current quarter, a total of 3,570,000 ordinary shares that were held as treasury shares above had been re-sold 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	
July 2018	900,000	1.36	1.39	1.37	1,234,914.28
July 2018	800,000	1.37	1.42	1.39	1,114,812.93
July 2018	1,234,200	1.41	1.47	1.43	1,765,921.31
July 2018	635,800	1.47	1.51	1.48	942,004.15
Total	3,570,000				5,057,652.67

Above disclosure is in accordance with Appendix 12D and Paragraph 12.23 of the Listing Requirements of Bursa Securities.

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

A8. Dividend Paid

There was no dividend payment in current quarter.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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.

9 months ended 30 September 2018	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	483,610	37,905	24,135	545,650
Inter segment revenue	(56,075)	-	(15,619)	(71,694)
Revenue from external customers	427,535	37,905	8,516	473,956
Interest income	687	1,834	1,616	4,137
Finance cost	(1,946)	(1,139)	(1,639)	(4,724)
Net finance expense	(1,259)	695	(23)	(587)
Segment profit/(loss) before taxation	71,719	(6,001)	12,487	78,205
Share of loss of an associate, net of tax	(11)	-	-	(11)
Share of profit of a joint venture, net of tax	-	-	1,073	1,073
Taxation	(13,893)	(1,873)	(2,052)	(17,818)
Other material non-cash item:				
- Depreciation	(8,298)	(160)	(1,647)	(10,105)
Additions to non-current assets other than financial instruments and deferred tax assets	7,842	-	122	7,964
Segment assets	1,155,744	618,598	439,322	2,213,664
Segment liabilities	853,982	645,445	98,803	1,598,230

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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:

9 months ended 30 September 2017	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	215,522	99,167	13,501	328,190
Inter segment revenue	(3,978)	-	(4,985)	(8,963)
Revenue from external customers	211,544	99,167	8,516	319,227
Interest income	409	286	79	774
Finance cost	(2,742)	(4,189)	(3,348)	(10,279)
Net finance expense	(2,333)	(3,903)	(3,269)	(9,505)
Segment profit before taxation	46,193	3,951	1,670	51,814
Share of loss of an associate, net of tax	(78)	-	-	(78)
Share of profit of a joint venture, net of tax	-	-	13	13
Taxation	(12,819)	(4,220)	(197)	(17,236)
Other material non-cash item:				
- Depreciation	(7,965)	(311)	(3,383)	(11,659)
Additions to non-current assets other than financial instruments and deferred tax assets	2,004	10	8	2,022
Segment assets	790,450	571,649	351,750	1,713,849
Segment liabilities	562,949	544,319	80,081	1,187,349

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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:

	As at 30 Sept 18 RM'000	As at 30 Sept 17 RM'000
Revenue		
Total revenue for reportable segments	545,650	328,190
Elimination of inter-segmental revenues	(71,694)	(8,963)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>473,956</u>	<u>319,227</u>
Profit for the financial period		
Total profit for reportable segments	78,205	51,814
Share of loss of an associate, net of tax	(11)	(78)
Share of profit of a joint venture, net of tax	1,073	13
Elimination of consolidation adjustments	(8,115)	(748)
Profit before tax	<u>71,152</u>	<u>51,001</u>
Tax expense	(17,818)	(17,236)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>53,334</u>	<u>33,765</u>
	As at 30 Sept 18 RM'000	As at 30 Sept 17 RM'000
Assets		
Total assets for reportable segments	2,213,664	1,713,849
Elimination of investment in subsidiaries and consolidation adjustments	(97,756)	(91,953)
Elimination on inter-segment balances	(658,752)	(574,105)
Total assets of the Group per consolidated statement of financial position	<u>1,457,156</u>	<u>1,047,791</u>
Liabilities		
Total liabilities for reportable segments	1,598,230	1,187,349
Elimination of consolidation adjustments	(4,252)	(4,764)
Elimination on inter-segment balances	(647,919)	(570,766)
Total liabilities of the Group per consolidated statement of financial position	<u>946,059</u>	<u>611,819</u>

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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 Sept 18 RM'000	As at 31 Dec 17 RM'000
Contracted but not provided for:		
- Freehold land held under development	21,250	42,250

A15. Contingent Liabilities

	As at 30 Sept 18 RM'000	As at 31 Dec 17 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	197,272	180,726

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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 (3 rd Quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	30/9/2018	30/9/2017		30/9/2018	30/9/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	159,271	80,453	97.97	473,956	319,227	48.47
Profit Before Tax	22,135	14,962	47.95	71,152	51,001	39.51
Profit After Taxation	17,550	8,639	103.15	53,334	33,765	57.96

During the current quarter, the Group recorded revenue of RM159.3 million, a 97.9% increase compared to the previous corresponding quarter of RM80.5 million.

Meanwhile, our reported PAT improved by 103.2% to RM17.6 million or 3.64 sen per share in 3Q18 compared to RM8.6 million or 2.32 sen in 3Q17.

The Group continue to be efficient on its cost structure basis. Our operating expenses against revenue, a measure of group efficiency, stood at 8.9% for 3Q18 as compared to 15.7% recorded in 3Q17 despite a reduction in revenue for 3Q18 caused by slower progress works arising from LRT3 project being reviewed by the Government during the reporting quarter.

Construction segment:

The Group's construction division reported a higher revenue of RM169.8 million in 3Q18 compared to RM72.3 million in 3Q17. Revenue for the current quarter was mainly contributed from the work progress for the Sungai Besi – Ulu Kelang (SUKE) Highway and Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) projects.

In terms of pre-tax profit, the division contributed about RM25.7 million, a 19.5% increase compared to the previous corresponding quarter of RM21.5 million in 3Q17. 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 RM4.4 million in 3Q18. The 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 September 2018. The Group is in the midst of gearing up to launch its E'Island Residence in Puchong, with a total GDV of RM491 million, offering 1,140 units of affordably priced apartments.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 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 (%)
	30/09/2018	30/06/2018	
	RM'000	RM'000	
Revenue	159,271	187,192	(14.92)
Profit Before Tax	22,135	27,039	(18.13)
Profit After Taxation ('PAT')	17,550	19,194	(8.56)

The Group's revenue for the current quarter of RM159.3 million is 14.9% lower compared to the immediate preceding quarter of RM187.2 million. The Group's PAT staged a 8.56% decrease compared to the immediate preceding quarter of RM19.2 million.

Revenue for the Group was mainly contributed by the ongoing construction projects i.e. SUKE and PPSAS.

The lower revenue registered for the quarter arose from the slower progress works of LRT3 project due to the review by the Government during the reporting quarter 3Q18. Nevertheless, it is anticipated that the project review will be completed very soon and work progress for LRT3 project will be back on track by mid of 4Q18. Subsequently the LRT3 project is expected to start contributing positively to the revenue and earnings in the coming quarters.

The Group's balance sheet continues to see improvements compared to the immediate preceding quarter. As at 30 September 2018, the Group maintained its balance sheet with healthy cash balance of RM145.9 million in cash and bank balances, with its net gearing ratio being maintained low at 0.14x. With low gearing and healthy cash balances, the Group will be in better position for future business expansion. Going forward, we continue to expect the balance sheet to further strengthen in FY 2019.

Additionally, we are now able to be more competitive in our future project tenders given our lean operating cost structure and low financing cost as a result of a low gearing.

	FYE 2016	FYE 2017	3Q 2018
	RM'000	RM'000	RM'000
Cash and bank balances	32,932	136,391	145,942
Gearing (Times)			
- Gross	0.77	0.40	0.43
- Net	0.67	0.11	0.14

B3. Prospects

The Group anticipates a better financial performance in FYE 2018 compared to FYE 2017, propelled by the construction division, and thereafter from FYE 2019 to FYE 2021, we expect further improvement to our revenue, earnings and cash flows as the property development division begin to contribute positively alongside the existing construction division.

In addition, The Group remains committed to ensure that the fundamentals of the business operations continue to be efficiently-managed, including the monitoring of its cash flows, operating expenses and finance costs. Aside that, all of our ongoing projects are being monitored closely to ensure efficient cost control and timeliness to safeguard our margins.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018

B3. Prospects (Cont'd)

(a) Construction division

The Group believes that it would stand to benefit in a more transparent project tendering process given its strong technical capability, a good track record and a solid financial position. Additionally, we are now able to be more competitive in our future project tenders given our lean operating cost structure and low financing cost as a result of a low gearing. To highlight, when we secured both the Light Rail Transit 3 (LRT3) and Sungai Besi – Ulu Kelang Highway (SUKEL) 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.

As at 30 September 2018, The Group's outstanding construction orderbook stood at RM2.4 billion, which would easily sustain our earnings momentum till the year 2021. We continue to maintain our RM1.5 billion construction orderbook replenishment rate, but at an extended timeline to mid-2019, pending the government's finalisation of review of the key infrastructure jobs that we have tendered and are gunning to secure.

Thus far, we have been notified that our validity for tenders submitted for the Pan Borneo Highway in Sabah has been further extended to the year end. In addition, recent media reports on the mid-term review of the 11th Malaysia Plan 2016-2020 suggests that Federal Government is committed to completing the Pan Borneo Highway project in Sabah.

Apart from the construction business, the Group already has exposure in the manufacturing of precast concrete products, in line with the Government's initiative to further promote its usage in construction. Our 49%-owned precast manufacturing plant in Tuaran, Sabah called Sedco Precast, which we own together with the Sabah Economic Development Corporation (SEDCO), has been receiving orders to supply precast components for the Pan Borneo Highway in Sabah (PBHS) and has the capacity to supply to other packages of PBHS as and when required.

(b) Property Development Division

The Group expects the property development division to stage a major turnaround in 2019 after over 2-years of negligible contribution to The Group. The Group is setting a RM500 million property sales target, on the back of the launch of E'Island Residence in Puchong and the relaunch of The Peak in Johor Bahru City Centre, which would generate combined GDVs of over RM934 million, and would lead the turnaround of the Group's property development division. In addition, we are targeting to partially monetise part of our flagship One Jesselton Waterfront mixed-development.

Barring any unforeseen circumstances, The Group expects the property development arm to be a significant contributor to cash flow from 2019 to 2022. The "cash-cow" of the Group will be driven by its current completed-unsold inventories, boosted further by future sales of The Peak that is free of borrowings and progress billings from E'Island Residence, once officially launched. As at 30 September 2018, our unbilled sales stood at RM111.8 million, while our unsold property units valued at RM485.7 million, out of which RM42.5 million worth of properties have completed.

GABUNGAN AQRS BERHAD**(Company No: 912527 - A)****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018****B3. Prospects (Cont'd)****(b) Property Development Division (Cont'd)**

The Group is in the midst of preparing to relaunch The Peak development in Johor Bahru, by a rebranding exercise to enhance value for its current buyers as well to entice new purchasers. The project is due to be delivered progressively from first quarter 2019. Presently, 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 RM69.5 million, which would be financed by RM91.4 million of unbilled sales for The Peak. In return, the development could generate RM443.2 million worth of net cash proceeds for the Group, which we expect to conservatively monetise progressively over year 2019 - 2022. All borrowings for The Peak have been settled and the development is currently free of any encumbrances. The net cash proceeds received from the sale of The Peak will be utilized for dividend payments and business expansion.

Our E'Island Residence in Puchong is in line with the call by the Ministry of Housing and Local Government for more affordable housing to be built. The RM491.0 million GDV development, E'Island Residence would house a total of 1,140 units of affordably-priced semi-furnished 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. Since the commencement of registration of interest for the project began on 30 April 2018, the response for the E'island Residence has been overwhelming, with 1,400 registrants, comprising of 51% bumiputra registrants. Additionally, 79% of registered buyers are within the age of 25 to 40 years old.

To further enhance value to buyers of E'Island Residence, each unit would be fitted with kitchen cabinets and wardrobes by Signature kitchen, air-conditioners, amongst other appliances that would be fitted in. The development comes with amongst others, a lakefront play pool with slides, lakefront gymnasium, lakefront boardwalk/jogging and cycling track, indoor badminton courts, indoor futsal court, indoor basketball court, kindergarten and nursery and convenient stores. It is also equipped with state-of-the-art smart phone Bluetooth access control and carpark storage area. Location wise, E'Island Residence is 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.

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 Third Quarter ended 30 September 2018

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

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 Sept 18	30 Sept 17	30 Sept 18	30 Sept 17
	RM'000	RM'000	RM'000	RM'000
Interest income	803	344	4,137	774
Other income	59	325	206	771
Interest expense (excluding interest capitalised)	(1,104)	(3,029)	(4,724)	(10,279)
Depreciation and amortisation	(3,466)	(3,888)	(10,105)	(11,659)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	-	(73)	-	(1,990)
Gain on disposal of property, plant and equipment	35	-	323	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		Cumulative Quarter	
	3 months ended		9 months ended	
	30 Sept 18	30 Sept 17	30 Sept 18	30 Sept 17
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	6,282	6,577	18,957	17,490
- Previous year	(1,697)	(254)	(1,697)	(254)
	<u>4,585</u>	<u>6,323</u>	<u>17,260</u>	<u>17,236</u>
Deferred taxation				
- Current year	-	-	(17)	-
- Prior years	-	-	576	-
	<u>-</u>	<u>-</u>	<u>558</u>	<u>-</u>
	<u>4,585</u>	<u>6,323</u>	<u>17,818</u>	<u>17,236</u>

The Group effective tax rate for the cumulative quarter is higher than the statutory rate mainly due to added back items of 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. The Bonus Issue of Warrants has been completed on 4 October 2018 following the listing of 119,394,669 Warrants B on the Main Market of Bursa Securities.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018

B8. Group Borrowings and Debt Securities

	As at 30 Sept 2018		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
- Term loan	17,473	14,129	31,602
- Hire purchase	4,111	1,472	5,583
- Revolving credit	-	2,500	2,500
- Bank overdrafts	-	178,910	178,910
	<u>21,584</u>	<u>197,011</u>	<u>218,595</u>
	As at 30 Sept 2017		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
- Term loan	32,736	67,377	100,113
- Hire purchase	437	1,217	1,654
- Revolving credit	-	4,500	4,500
- Bank overdrafts	-	97,277	97,277
	<u>33,173</u>	<u>170,371</u>	<u>203,544</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").

In the 1st Suit, Trusvest alleges that the Consortium (i.e. Seri Wilayah Engineering Sdn Bhd and REMT Utama Sdn Bhd) had breached the terms and conditions of the Trustvest Sub-Contract entered into between parties. Trusvest has also pleaded various causes of actions against the Defendants, including inducing breach of contract, breach of statutory and fiduciary duties, fraud, collusion, and conspiracy. The 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, the 2nd Suit concerns disputes on the lower part of the chain i.e. the sub-contractors.

On 5 July 2018, the High Court granted order in terms of Trusvest' Application for Interim Injunction pending full and final disposal of the matter.

Both Suits will most likely be heard together and are currently fixed for case management on 29 October 2018.

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

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018

B10. Dividend

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

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.

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.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the Third Quarter ended 30 September 2018

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 3 months ended		Cumulative Quarter 9 months ended	
	30 Sept 18 RM'000	30 Sept 17 RM'000	30 Sept 18 RM'000	30 Sept 17 RM'000
Profit attributable to equity holders of the Company (RM'000)	17,046	9,434	52,616	32,805
Weighted average number of ordinary shares ('000)	468,906	406,655	468,906	406,655
Basic earnings per share (sen)	3.64	2.32	11.22	8.07

(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 9 months ended	
	30 Sept 18 RM'000	30 Sept 17 RM'000	30 Sept 18 RM'000	30 Sept 17 RM'000
Profit attributable to equity holders of the Company (RM'000)	17,046	9,434	52,616	32,805
Weighted average number of ordinary shares ('000)	588,301	566,588	588,301	566,588
Diluted earnings per share (sen)	2.90	1.67	8.94	5.79

B13. Authorisation for Issue

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