

## **GABUNGAN AQRS BERHAD**

(Company No: 912527 - A)

(Incorporated in Malaysia)

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

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**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</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>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>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	33,158	-	363,686
Trade and other receivables	522,376	-	(178,360)	(66,878)	277,138
Contract assets	-	-	165,397	(511)	164,886
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>20,195</u>	<u>(67,389)</u>	<u>835,089</u>
<b>Total assets</b>	<u>977,022</u>	<u>-</u>	<u>20,195</u>	<u>(67,389)</u>	<u>929,828</u>
<b>Equity</b>					
Share capital	97,730	-	-	-	97,730
Share premium	85,545	-	-	-	85,545
Treasury shares	(510)	-	-	-	(510)
Retained earnings	160,966	-	(29,242)	(63,201)	68,523
	<u>343,731</u>	<u>-</u>	<u>(29,242)</u>	<u>(63,201)</u>	<u>251,288</u>
Non-controlling interests	6,893	-	-	(2,970)	3,923
<b>Total equity</b>	<u>350,624</u>	<u>-</u>	<u>(29,242)</u>	<u>(66,171)</u>	<u>255,211</u>
<b>Non-current liabilities</b>					
Borrowings	72,526	-	-	-	72,526
Deferred tax liabilities	2,932	-	-	(1,218)	1,714
	<u>75,458</u>	<u>-</u>	<u>-</u>	<u>(1,218)</u>	<u>74,240</u>

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**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	-	(48,087)	-	294,155
Contract Liabilities	-	-	97,524	-	97,524
Borrowings	195,890	-	-	-	195,890
Current tax liabilities	12,808	-	-	-	12,808
	<u>550,940</u>	<u>-</u>	<u>49,437</u>	<u>-</u>	<u>600,377</u>
<b>Total liabilities</b>	<u>626,398</u>	<u>-</u>	<u>49,437</u>	<u>(1,218)</u>	<u>674,617</u>
<b>Total equity and liabilities</b>	<u>977,022</u>	<u>-</u>	<u>20,195</u>	<u>(67,389)</u>	<u>929,828</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	2,939	-	-	-	2,939
Intangible assets	29,783	-	-	-	29,783
	<u>140,372</u>	<u>(37,931)</u>	<u>-</u>	<u>-</u>	<u>102,441</u>
<b>Current assets</b>					
Property development cost	193,140	(193,140)	-	-	-
Inventories	31,635	231,071	27,542	-	290,248
Trade and other receivables	616,875	-	(359,583)	(42,951)	214,341
Contract Assets	-	-	332,756	(407)	332,349
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>987,086</u>	<u>37,931</u>	<u>715</u>	<u>(43,358)</u>	<u>982,374</u>
<b>Total assets</b>	<u>1,127,458</u>	<u>-</u>	<u>715</u>	<u>(43,358)</u>	<u>1,084,815</u>
<b>Equity</b>					
Share capital	267,081	-	-	-	267,081
Treasury shares	(510)	-	-	-	(510)
Retained earnings	200,125	-	(30,300)	(42,744)	127,081
	<u>466,696</u>	<u>-</u>	<u>(30,300)</u>	<u>(42,744)</u>	<u>393,652</u>
Non-controlling interests	8,454	-	-	(374)	8,080
<b>Total equity</b>	<u>475,150</u>	<u>-</u>	<u>(30,300)</u>	<u>(43,118)</u>	<u>401,732</u>

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**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	-	-	(240)	133
	<u>29,556</u>	<u>-</u>	<u>-</u>	<u>(240)</u>	<u>29,316</u>
<b>Current liabilities</b>					
Trade and other payables	430,773	-	(17,569)	-	413,204
Contract Liabilities	-	-	48,584	-	48,584
Borrowings	158,977	-	-	-	158,977
Current tax liabilities	33,002	-	-	-	33,002
	<u>622,752</u>	<u>-</u>	<u>31,015</u>	<u>-</u>	<u>653,767</u>
<b>Total liabilities</b>	<u>652,308</u>	<u>-</u>	<u>31,015</u>	<u>(240)</u>	<u>683,083</u>
<b>Total equity and liabilities</b>	<u>1,127,458</u>	<u>-</u>	<u>715</u>	<u>(43,358)</u>	<u>1,084,815</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:

<b>Title</b>	<b>Effective Date</b>
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.

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**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, shares held as treasury shares and resale of 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 43,117,480 ordinary shares of RM1.30 each pursuant to the exercise of warrants.
- b) repurchased 20,049,200 of its own ordinary shares each from the open market for a total consideration of RM20,682,404 at an average price of RM1.03 per ordinary share. 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.
- c) sold a total of 3,570,000 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	
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
<b>Total</b>	<b>3,570,000</b>				<b>5,057,652.67</b>

As at the end of the current quarter and financial year-to-date, a total of 17,014,702 shares were held as treasury shares.

**A8. Dividend Paid**

On 10 January 2019, the Company paid an interim dividend of 2.0 sen per ordinary share, tax exempt under single-tier tax system amounting to RM9.6 million in respect of the financial period ending 31 December 2018.

**GABUNGAN AQRS BERHAD****(Company No: 912527 - A)****(Incorporated in Malaysia)****Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 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.

12 months ended 31 December 2018	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
<b>Segment Revenue</b>				
Total revenue	618,682	24,507	29,956	673,145
Inter segment revenue	(72,072)	-	(18,602)	(90,674)
Revenue from external customers	546,610	24,507	11,354	582,471
Interest income	1,165	1,845	1,923	4,933
Finance cost	(2,716)	(596)	(2,084)	(5,396)
Net finance expense	(1,551)	1,249	(161)	(463)
<b>Segment profit/(loss) before taxation</b>	<b>105,760</b>	<b>(24,881)</b>	<b>14,628</b>	<b>95,507</b>
Share of loss of an associate, net of tax	(23)	-	-	(23)
Share of profit of a joint venture, net of tax	-	-	961	961
Taxation	(17,045)	(1,183)	(3,361)	(21,589)
Other material non-cash item:				
- Depreciation	(11,122)	(199)	(1,319)	(12,640)
Additions to non-current assets other than financial instruments and deferred tax assets	9,317	3	959	10,279
<b>Segment assets</b>	<b>1,127,953</b>	<b>661,004</b>	<b>426,480</b>	<b>2,215,437</b>
<b>Segment liabilities</b>	<b>823,145</b>	<b>713,762</b>	<b>95,274</b>	<b>1,632,181</b>

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

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

12 months ended 31 December 2017	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
<b>Segment Revenue</b>				
Total revenue	365,338	98,678	28,557	492,573
Inter segment revenue	(9,582)	-	(17,203)	(26,785)
Revenue from external customers	355,756	98,678	11,354	465,788
Interest income	548	2,207	270	3,025
Finance cost	(3,804)	(4,583)	(4,186)	(12,573)
Net finance expense	(3,256)	(2,376)	(3,916)	(9,548)
<b>Segment profit before taxation</b>	<b>114,930</b>	<b>(3,841)</b>	<b>10,810</b>	<b>121,899</b>
Share of loss of an associate, net of tax	(120)	-	-	(120)
Share of profit of a joint venture, net of tax	-	-	153	153
Taxation	(27,341)	(3,437)	(1,824)	(32,602)
Other material non-cash item:				
- Depreciation	(10,561)	(386)	(4,518)	(15,465)
Additions to non-current assets other than financial instruments and deferred tax assets	1,921	140	269	2,330
<b>Segment assets</b>	<b>777,274</b>	<b>526,962</b>	<b>431,145</b>	<b>1,735,381</b>
<b>Segment liabilities</b>	<b>560,979</b>	<b>542,735</b>	<b>126,417</b>	<b>1,230,131</b>

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

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

	<b>As at 31 Dec 18 RM'000</b>	<b>As at 31 Dec 17 RM'000</b>
<b>Revenue</b>		
Total revenue for reportable segments	673,145	492,573
Elimination of inter-segmental revenues	(90,674)	(26,785)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>582,471</u>	<u>465,788</u>
<b>Profit for the financial period</b>		
Total profit for reportable segments	95,507	121,899
Share of loss of an associate, net of tax	(23)	(120)
Share of profit of a joint venture, net of tax	961	153
Elimination of consolidation adjustments	(9,101)	(17,739)
Profit before tax	<u>87,344</u>	<u>104,193</u>
Tax expense	(21,589)	(32,602)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>65,755</u>	<u>71,591</u>
	<b>As at 31 Dec 18 RM'000</b>	<b>As at 31 Dec 17 RM'000</b>
<b>Assets</b>		
Total assets for reportable segments	2,215,437	1,735,381
Elimination of investment in subsidiaries and consolidation adjustments	(97,760)	(110,677)
Elimination on inter-segment balances	(694,555)	(539,889)
Total assets of the Group per consolidated statement of financial position	<u>1,423,122</u>	<u>1,084,815</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,632,181	1,230,131
Elimination of consolidation adjustments	(3,037)	(7,555)
Elimination on inter-segment balances	(684,110)	(539,493)
Total liabilities of the Group per consolidated statement of financial position	<u>945,034</u>	<u>683,083</u>



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**A10. Valuation of Property, Plant and Equipment**

There is no valuation of property, plant and equipment performed in the current quarter 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 18 RM'000	As at 31 Dec 17 RM'000
Contracted but not provided for: - Freehold land held under development	<u>21,250</u>	<u>42,250</u>

**A15. Contingent Liabilities**

	As at 31 Dec 18 RM'000	As at 31 Dec 17 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>197,437</u>	<u>180,726</u>

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**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 <sup>th</sup> Quarter)		Changes  (%)	Cumulative Period		Changes  (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Period	
	31/12/2018	31/12/2017		31/12/2018	31/12/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	108,515	146,561	(26.0)	582,471	465,788	25.1
Profit Before Tax	16,192	53,193	(69.6)	87,344	104,194	(16.2)
Profit After Taxation	12,421	37,826	(67.2)	65,755	71,591	(8.2)

During the current quarter, the Group recorded revenue of RM108.5 million, a 26% decrease compared to the previous corresponding quarter of RM146.6 million. The decrease in Group revenue is mainly due to the negative revenue recognized for our property development division that is attributed to RM14.6 million recognition in liquidated ascertained damages (LAD) for The Peak in Johor Bahru.

Our reported PAT stood at RM12.4 million or 2.34 sen per share in 4Q18 compared to RM37.8 million or 8.46 sen in 4Q17. The decline is largely due to the abovementioned LAD charges that were recognized during the quarter.

Our operating expenses against revenue, a measure of group efficiency, stood at 13.9% for 4Q18 as compared to 15.1% recorded in 4Q17 despite a reduction in revenue for 4Q18 caused by the abovementioned reasons and a 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 lower revenue of RM135.1 million in 4Q18 compared to RM148.8 million in 4Q17. The decline in revenue is due to the recognition of KVMRT V1 variation orders that were recognized in the preceding corresponding year quarter coupled with slower work progress for our LRT 3 package. Revenue for the current quarter was mainly contributed from the work progress for the Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) and Sungai Besi – Ulu Kelang (SUKE) Highway.

Consistent with the above explanation, the division contributed about RM34.1 million of pre-tax profit, a 50.7% decrease compared to the previous corresponding quarter of RM69.1 million in 4Q17. The decline is largely attributed to the slowdown of the LRT 3 project which was undergoing a review during the period and the one-off recognition of KVMRT V1 variation order recognized in 4Q17.

**Property development segment:**

In 4Q18, the property development division recorded a negative revenue of RM13.4 million compared to a negative revenue of RM7.8 million in 4Q17. The negative revenue is mainly due to the recognition of LAD charges for The Peak and the reversal of sales.

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**B1. Review of Performance (Cont'd)**Property development segment: (Cont'd)

In term of pre-tax loss, the property development division reported a LBT of RM18.9 million compared to a LBT of RM7.8 million in 4Q17. The loss is due to a RM14.6 million LAD recognition for The Peak, which would be a significant contributor to cashflow over the next couple of years. The Peak is currently free of any encumbrance with a take-up of only 28.3%. Currently, the rebranding exercise of The Peak has commenced and the relaunch of the RM451.7 million of unsold units is expected to begin in 2Q19. We are also introducing a rent-to-own scheme for The Peak called **“Reside Before You Decide”** – an ownership scheme whereby a buyer would be able to ‘lock-in’ their purchase price for 36 months and use the period to build-up their savings, and at the end of the 36-month period, total rentals that have been paid will go towards the reducing the actual loan sum to be applied.

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/2018	30/09/2018	
	RM'000	RM'000	
Revenue	108,515	159,271	(31.87)
Profit Before Tax	16,192	22,135	(26.85)
Profit After Taxation ('PAT')	12,421	17,550	(29.17)

The Group's revenue for the current quarter of RM108.5 million is 31.9% lower compared to the immediate preceding quarter of RM159.3 million. The decline in revenue is due to: a) the negative revenue recorded at the property development division and b) slower work progress for our construction division. The Group's PAT staged a 29.2% decrease compared to the immediate preceding quarter of RM17.6 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 mid 2018 till early of 2019. The Group has signed the Novation Agreement for LRT3 on 22 February 2019, and the work progress for LRT3 project will be back on track soon. 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 31 December 2018, the Group maintained its balance sheet with healthy cash balance of RM130.5 million in cash and bank balances, with its net gearing ratio being maintained low at 0.16x. 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	FYE 2018
	RM'000	RM'000	RM'000
Cash and bank balances	32,932	136,391	130,534
Gearing (Times)			
- Gross	0.77	0.40	0.43
- Net	0.67	0.11	0.16

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### **B3. Prospects**

The Group anticipates its FYE 2019 performance to further improve compared to FYE 2018, propelled by its ongoing construction jobs and the expected turnaround of the property development division that will positively contribute to revenue, earnings and cashflow to the Group.

The Group continues to monitor the fundamentals of its business operations to ensure that projects continue to be efficiently-managed, including the monitoring of its cash flows, operating expenses and finance cost.

#### **(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.

As at 31 December 2018, The Group's outstanding construction orderbook stood at RM2.2 billion, which would easily sustain our earnings momentum till the year 2021. We continue to maintain our RM1.5 billion construction orderbook replenishment rate by mid-2019, pending the government's finalisation of review of the key infrastructure jobs that we have tendered.

On 22 February 2019, we announced that our wholly-owned subsidiary, Gabungan Strategik Sdn Bhd executed one (1) separate Novation Agreements with Prasarana and MRCB George Kent, in which all of the rights, interest, benefits, obligations duties and liabilities of Prasarana under the LRT 3 Contracts shall be transferred and conveyed absolutely to MRCB George Kent subject to the terms and conditions as stipulated in the respective Novation Agreement. Concurrently, we are in negotiations with our client to finalise the contract value post the cost rationalisation exercise mentioned in Budget 2019. The progress of the job is still ongoing but at a slower pace pending the review to redesign the 3 stations within our alignment.

Presently, our tenders submitted for the Pan Borneo Highway in Sabah remains valid and has been further extended to 23 March 2019. We will also look into participating in new tenders by the Government, which include key railway related jobs within the Klang Valley and Malaysia.

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 Sdn Bhd, 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. Our SECO Precast Sdn Bhd has been certified as a supplier for IBS products by CIDB Malaysia and has been accredited with one of the highest ISO certification by SIRIM.

#### **(b) Property development division**

The turnaround in its property development division is expected to commence in FYE 2019 after a negligible core earnings contribution to the Group since FYE 2016.

In FYE 2019, the Group is aiming a property sales target of RM500 million, stemming from the E'Island Lake Haven project in Puchong and the relaunch of The Peak in Johor Bahru City Centre, which would generate combined GDVs of over RM934 million. We are also aiming to rope in a joint-venture partner for our flagship One Jesselton Waterfront development in Kota Kinabalu, Sabah.

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### B3. Prospects (Cont'd)

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

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 Lake Haven. As at 31 December 2018, our unbilled sales stood at RM94.6 million, while our unsold property units valued at RM498.1 million, out of which RM46.4 million worth of properties have completed.

The rebranding exercise for our “cash-cow” and unencumbered development, The Peak in Johor Bahru has commenced and the relaunch is expected to take place in 2Q19. We are also introducing our rent-to-own scheme for The Peak called “**Reside Before You Decide**” – an ownership scheme whereby a buyer would be able to ‘lock-in’ their purchase price for 36 months and use the period to build-up their savings, and at the end of the 36-month period, total rentals that have been paid will go towards the reducing the actual loan sum to be applied. Currently, The Peak has 479 units up for sale with a total value of RM451.7 million. The Group aims to monetise this development over years 2019 – 2022. The net cash proceeds received from the sale of The Peak will be utilized for dividend payments and business expansion.

#### Cashflow for The Peak

Details	(RM million)
Value of 479 unsold units	451.7
Budgeted Cost to complete construction	67.0
Unbilled Sales	75.9
Project “The Peak” Borrowings	0

We have commenced our exclusive preview for our RM501 million GDV E’Island Lake Haven development on 1 March 2019 while the official launch is targeted to take place by end of March. E’Island Lake Haven would house a total of 1,140 units of affordably-priced and semi-furnished apartments with sizes starting from 881 square feet. Each apartment would be fitted with kitchen cabinets and wardrobes by Signature Kitchen, 4-air conditioners, and large electrical appliances at an affordable price starting from RM295,000 per unit, with 70% of units being below RM399,000 per unit. The apartments will sit across 4-towers on a 19-acre parcel of land. Currently, there are over 2,567 registrations comprising of 53% bumiputras. In addition, 88% of the registrants are within the age of 25 to 40 years old.

Based on a recent survey undertaken by Star Property’s Buyers’ Sentiment Survey, a majority of the 3,000 respondents have indicated that they are keen to make a purchase of a property in 2019. In terms of timeline of purchase, 42% of the respondents indicated that they are keen to purchase a property within the next 12 months. 87% of the respondents indicate a high preference of purchasing a newly-launch houses over sub-sale properties. In terms of location, the most popular location among buyers is Johor Bahru (50%), followed by Kuala Lumpur (19%), Puchong (18%) and Petaling Jaya (17%). We are proud to share that our planned launches this year is in Puchong and Johor Bahru City Centre.

### B4. Profit Forecast and Profit Estimate

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

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

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
	RM'000	RM'000	RM'000	RM'000
Interest income	796	2,251	4,933	3,025
Other income	15,166	1,098	15,372	1,868
Interest expense (excluding interest capitalised)	(672)	(1,599)	(5,396)	(12,573)
Depreciation and amortisation	(2,535)	(3,083)	(12,640)	(15,465)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	-	69	-	(1,994)
Gain on disposal of property, plant and equipment	89	-	412	47
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		12 months ended	
	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	5,331	17,039	24,287	34,529
- Previous year	(1,608)	(593)	(3,305)	(847)
	<u>3,723</u>	<u>16,446</u>	<u>20,982</u>	<u>33,682</u>
Deferred taxation				
- Current year	42	(179)	25	(179)
- Prior years	6	(900)	582	(900)
	<u>48</u>	<u>(1,079)</u>	<u>607</u>	<u>(1,079)</u>
	<u>3,771</u>	<u>15,367</u>	<u>21,589</u>	<u>32,603</u>

The Group effective tax rate for the cumulative quarter approximate to the statutory rate.

**B7. Status of Corporate Proposals Announced**

There are no corporate proposals announced by the Company but not completed as at 21 February 2019, 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 2018

	Long term RM'000	Short term RM'000	Total borrowings RM'000
<b>Secured</b>			
- Term loan	25,248	10,297	35,545
- Hire purchase	3,740	1,477	5,217
- Revolving credit	-	2,000	2,000
- Bank overdrafts	-	162,945	162,945
	<u>28,988</u>	<u>176,719</u>	<u>205,707</u>

As at 31 Dec 2017

	Long term RM'000	Short term RM'000	Total borrowings RM'000
<b>Secured</b>			
- Term loan	28,114	38,631	66,745
- Hire purchase	1,069	406	1,475
- Revolving credit	-	4,000	4,000
- Bank overdrafts	-	115,940	115,940
	<u>29,183</u>	<u>158,977</u>	<u>188,160</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.

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

On 16 January 2019, upon the consent of Trusvest and the 1st and 2nd Defendants in the 1st Suit, the High Court granted order in terms of Trusvest' Mandatory Injunction Application and Discovery Application.

Both Suits will be heard together and are currently at pre-trial case management stage. No trial dates have been fixed at this juncture.

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

**B10. Dividend**

On 28 February 2019, the Board of Directors declared an interim dividend of two treasury share for every one hundred existing ordinary share amounting to 9,584 million units in respect of the financial period ending 31 December 2018.

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

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 and 28 November 2018 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. These marked further progress of milestones for the development of One Jesselton Waterfront.

The Company and Tera Capital have mutually agreed to further extend the MOU on collaboration of One Jesselton Waterfront Premier Lifestyle Mall and 4-Star Hotel until 30 June 2019.



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**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 12 months ended	
	31 Dec 18 RM'000	31 Dec 17 RM'000	31 Dec 18 RM'000	31 Dec 17 RM'000
Profit attributable to equity holders of the Company (RM'000)	10,953	34,629	63,569	67,434
Number of shares at the beginning of the year ('000)	450,941	409,103	450,941	409,103
Share resale	1,570	-	1,570	-
Share repurchase	(11,957)	-	(11,957)	-
Warrants conversion	28,352	-	28,352	-
Effect of Share Buy Back	-	-	-	-
Weighted average number of ordinary shares ('000)	468,906	409,103	468,906	409,103
<b>Basic earnings per share (sen)</b>	<b>2.34</b>	<b>8.46</b>	<b>13.56</b>	<b>16.48</b>

## (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 18 RM'000	31 Dec 17 RM'000	31 Dec 18 RM'000	31 Dec 17 RM'000
Profit attributable to equity holders of the Company (RM'000)	10,953	34,629	63,569	67,434
No of ordinary shares for basic earnings per share computation	468,906	566,588	468,906	566,588
Effect of dilution - on assumption that remaining warrants are exercised	119,395	- n/a -	119,395	- n/a -
Weighted average number of ordinary shares ('000)	588,301	566,588	588,301	566,588
<b>Diluted earnings per share (sen)</b>	<b>1.86</b>	<b>6.11</b>	<b>10.81</b>	<b>11.90</b>

**B13. Authorisation for Issue**

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