

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

A Explanatory Notes in compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. 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 2012.

A2. Changes in Accounting Policies

The significant accounting policies and method of computation adopted by the Group in this quarterly report are consistent with those in the annual financial statements for the year ended 31 December 2012 except as follows:

On 1 January 2013, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Amendments to FRS 1	Government Loans
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
FRS 10	Consolidated Financial Statements
Amendments to FRS 10, FRS 11 and FRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interest in Other Entities
FRS 13	Fair Value Measurement
Amendments to FRS 101	Presentation of items of Other Comprehensive Income
Amendments to FRS 116	Property, plant and equipment
FRS 119	Employee Benefits (Revised)
FRS 127	Separate Financial Statement
FRS 128	Investment in Associates and Joint Ventures
Amendments to FRS 134	Interim Financial Reporting

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

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

1 January 2014

Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Malaysian Financial Reporting Standards (MFRS Framework)	

A2. Changes in Accounting Policies (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework that is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 4 July 2012, MASB has decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for an additional one year. MFRS Framework will therefore be mandated for all Transitioning Entities for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Frameworks. Accordingly, the Group will be required to prepare financial statement using MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

A3. Qualification of Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2012 were 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 financial quarter under review.

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 financial quarter under review.

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 under review except that during the Extraordinary General Meeting held on 28 June 2013, the shareholders of the Company had approved the following proposals:

- (i) bonus issue of 159,984,000 free warrants in the Company on the basis of nine warrants for every twenty existing ordinary shares of RM0.25 each in the Company;
- (ii) increase in the authorised share capital of the Company from RM100,000,000 to RM500,000,000; and
- (iii) authority for the Company to purchase up to 10% of its issued and paid-up share capital.

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

A8. Dividend Paid

No dividend has been paid during the current quarter under review.

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.

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

6 months ended 30 June 2013	Construction RM'000	Property Development RM'000	Other RM'000	Total/Group RM'000
Segment Revenue				
Total revenue	145,787	75,953	-	221,740
Inter-segment sales	(35,011)	-	-	(35,011)
Revenue from external customers	<u>110,776</u>	<u>75,953</u>	<u>-</u>	<u>186,729</u>
Interest income	433	133	541	1,107
Finance cost	(983)	(858)	-	(1,841)
Net finance expense	<u>(550)</u>	<u>(725)</u>	<u>541</u>	<u>(734)</u>
Depreciation	(956)	(278)	-	(1,234)
Segment profit/(loss) before taxation	<u>15,706</u>	<u>33,835</u>	<u>(1,986)</u>	<u>47,555</u>
Taxation	(5,153)	(6,595)	127	(11,621)
Segment profit/(loss) for the period	<u>10,553</u>	<u>27,240</u>	<u>(1,859)</u>	<u>35,934</u>
Segment assets	<u>214,906</u>	<u>327,207</u>	<u>36,557</u>	<u>578,670</u>
Segment liabilities	<u>233,141</u>	<u>91,401</u>	<u>6,180</u>	<u>330,722</u>

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

A9. Segmental Information (Cont'd)

6 months ended 30 June 2012	Construction RM'000	Property Development RM'000	Other RM'000	Total/Group RM'000
Segment Revenue				
Total revenue	154,753	21,250	-	176,003
Inter-segment sales	(32,194)	-	-	(32,194)
Revenue from external customers	122,559	21,250	-	143,809
Interest income	104	80	-	184
Finance cost	(199)	(1,790)	-	(1,989)
Net finance expense	(95)	(1,710)	-	(1,805)
Depreciation	(654)	(212)	-	(866)
Segment profit/(loss) before taxation	24,694	(1,794)	(934)	21,966
Taxation	(6,596)	12	-	(6,584)
Segment profit/(loss) for the period	18,098	(1,782)	(934)	15,382
Segment assets	175,892	228,658	85	404,635
Segment liabilities	176,619	88,508	417	265,544

A10. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment performed in the current financial 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 under review except that on 8 April 2013, a subsidiary, Grand Meridian Development Sdn. Bhd. entered into a conditional Sale and Purchase Agreement with Ocean Mix Sdn. Bhd. for the disposal of freehold land classified under investment property for a total cash consideration of RM50,000,000.

A12. Material Subsequent Event

Save as disclosed below, there were no material event 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:

- (a) On 15 July 2013, Bright Reach Sdn Bhd (~~BR~~BRSB+), a wholly-owned subsidiary of AQRS The Building Company Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, acquired 1,775 ordinary shares of RM1.00 each, representing 35.5% of the total issued and paid-up share capital of Crystal Aspect Sdn Bhd ("CASB") for a total consideration of RM1,775.00. In consequence thereto, CASB has become a wholly-owned subsidiary of BRSB, which in turn is a wholly-owned sub subsidiary of the Company.

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

A13. Changes in the Composition of the Group

There were no changes to the composition of the Group for the current financial quarter under review.

A14. Capital Commitment

	As at 30 June 13 RM'000	As at 31 Dec 12 RM'000
Contracted but not provided for:		
- Land held for property development	<u>183,145</u>	<u>182,647</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 30 June 13 RM'000	As at 31 Dec 12 RM'000
Corporate guarantees given to financial institutions for credit facilities granted to third parties	-	5,202
Bank guarantees given by financial institutions in respect of construction and property projects	<u>129,324</u>	<u>127,363</u>
	<u>129,324</u>	<u>132,565</u>

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

For the current quarter under review, the Group recorded revenue of RM103.25 million and profit after taxation and non-controlling interest of RM23.04 million as compared to RM61.57 million and RM9.04 million respectively in preceding quarter ended 30 June 2012.

For the current year to date, construction segment recorded revenue of RM145.79 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM75.95 million. The construction division continues to be the main revenue contributor to the Group, attributing 65.75% of the current quarter's revenue (before eliminating inter-segment sales).

The contribution from the construction division declined marginally in the current quarter under review as compared to the previous year's corresponding quarter due to lower gross profit margin projects being carried out during the current quarter.

The contribution from property development division increased in the current quarter under review as compared to the previous year's corresponding quarter due to the registration of profits for units sold in the current quarter for which development costs for these sold units had already previously been incurred.

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

For the current quarter under review, the Group recorded revenue and profit after taxation and non-controlling interest of RM103.25 million and RM23.04 million as compared to RM83.48 million and RM7.58 million respectively reported in the immediate preceding quarter.

The Group recorded a higher profit before tax (PBT) of RM33.68 million in the current quarter compared to the preceding quarter of RM13.88 million. During the current quarter under review, the property development division's performance included a disposal of a piece of land in Juru, Seberang Prai. The said disposal contributed an exceptional profit of RM15.05 million (net of tax) to the Group while the remaining contribution from property division were from sales and development works of its existing projects.

For the current quarter, the property development division contribution in revenue improved by RM13.22 million, or 42.14% from preceding quarter mainly due to new sales from the Contours and The Peak projects. Increase in revenue due to higher progress work done for the Kinrara Uptown project in Lestari Perdana, Bandar Puteri Permai contributed to the performance in the property development division.

Contribution for the results of the construction division for the current quarter is mainly from the Package V1: MRT Project, the enhancement works along Jalan Rantau/Sungai Gadut, Negeri Sembilan and the IBS Construction of 9 schools.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

B3. Prospects

The Group expects both its construction and the property development divisions to continue to contribute positively. This is backed by the strong construction order book and future property development project launches, which will ensure sustained revenue growth and profits for the Group.

The Group's property arm had in the early part of the current quarter officially launched 'The Peak', its maiden residential property project in the Johor State. In addition, the division has recently launched its commercial development project in Permas Jaya, 'Permas Centro', which makes up 99 units of 3 & 4 storey shop offices. This development is set up to be a strategic business hub in a matured community also located within the new metropolis of Iskandar Malaysia.

There are other mixed-development projects which are in planning stages and will be launched over the later part of year 2013 and, into the next few years. These projects are expected to lead to a stronger performance in the Group's property development division. The construction work for these property development projects will be undertaken internally thus providing a constant revenue stream for the Group's construction division.

In addition to the above, the construction division will continue to tender and procure new external projects to maintain a balance between internal and external construction projects as part of its longer term strategy.

Given these circumstances, the Board of Directors is confident that the prospect of the Group remains positive. Barring any unforeseen circumstances, the Board expects both divisions of the Group to continue to deliver satisfactory financial results for 2013.

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 6 months ended	
	30 June 13 RM'000	30 June 12 RM'000	30 June 13 RM'000	30 June 12 RM'000
Interest income	615	60	1,107	184
Other income	38	3	40	4
Interest expense (excluding interest capitalised)	(996)	(587)	(1,841)	(1,195)
Depreciation and amortisation	(633)	(437)	(1,234)	(866)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Gain on disposal of property, plant and equipment	104	-	82	194
Gain on disposal of investment property	17,622	*	17,622	*
Impairment of assets-goodwill	*	*	*	3
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.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

B6. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 13 RM'000	30 June 12 RM'000	30 June 13 RM'000	30 June 12 RM'000
Current taxation				
- Current year	5,646	2,680	9,990	6,632
- Prior years	(67)	-	(67)	-
	<u>5,579</u>	<u>2,680</u>	<u>9,923</u>	<u>6,632</u>
Deferred taxation				
- Current year	(827)	805	(862)	(163)
- Prior years	84	1	(10)	115
	<u>(743)</u>	<u>806</u>	<u>(872)</u>	<u>(48)</u>
Real property gains tax	<u>2,570</u>	<u>-</u>	<u>2,570</u>	<u>-</u>
	<u><u>7,406</u></u>	<u><u>3,486</u></u>	<u><u>11,621</u></u>	<u><u>6,584</u></u>

The Group effective tax rate for the current quarter and cumulative quarter of 21.99% and 24.44% is lower than the statutory tax rate mainly due to lower tax rate attributed to the gain arising from the disposal of investment property.

B7. Status of Corporate Proposals Announced

(a) Stylo Land

Save for the proposed acquisition of Stylo Land as stated in Section 2.8.1 of our Prospectus dated 29 June 2012, there were no other corporate proposals announced but not completed as at 22 August 2013, being a date not earlier than 7 days from the date of this report.

(b) Status of Utilisation of Proceeds

The proceeds arising from the Company's IPO amounted to RM73.160 million and as at 22 August 2013, the details of the utilisation of proceeds are as follows:-

Purpose of utilisation	Estimated time frame for utilisation from date of listing	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation		Explanations*
				Amount RM'000	%	
i. Acquisition of land bank	Within 36 months	25,000	1,586	23,414	93.7	(a)&(b)
ii. Acquisition of new corporate headquarters	Within 36 months	12,000	683	11,317	94.3	(a)&(b)
iii. Working capital	Within 24 months	30,460	30,460	-	-	
iv. Estimated listing expenses	Within 6 months	5,700	4,418	1,282	22.5	(c)

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

B7. Status of Corporate Proposals Announced (Cont'd)

Notes:-

- * A total sum of RM1.716 million being underwriting commission, brokerage commission, issuing house fees and out of pocket expenses has been proportionately reduced from the respective utilisation categories above.
- (a) The unutilised proceeds raised from the Public Issue are placed in short-term deposits with licensed banks.
- (b) The proceeds from the Public Issue are to be utilised within the estimated timeframe. The Group does not expect any material deviation as at the date of this quarterly report.
- (c) As at 22 August 2013, the total listing expenses is RM4.418 million. The excess of RM1.282 million in the utilisation for the listing expenses has been allocated for working capital purposes as stated in the Prospectus dated 29 June 2012.

B8. Group Borrowings and Debt Securities

	As at 30 June 13 RM'000	As at 31 Dec 12 RM'000
The Group's borrowings and debt securities are as follows:		
Long term borrowings		
Secured:		
Hire purchase creditors	3,643	3,946
Term loans	7,792	10,718
	<u>11,435</u>	<u>14,664</u>
Short term borrowings		
Secured:		
Bank overdrafts	47,931	23,180
Hire purchase creditors	1,280	1,137
Term loans	24,577	24,573
Revolving credit	400	400
	<u>74,188</u>	<u>49,290</u>

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

B9. Material Litigation

On 13 June 2008, AQRS The Building Company Sdn. Bhd. (AQRS), a subsidiary, entered into a sale and purchase agreement (SPA) for a freehold land situated at Mukim Ulu Klang, Selangor with Morning Valley Sdn. Bhd. (Morning Valley), a company incorporated in Malaysia. Pursuant to the SPA, a deposit of RM3,000,000 was paid by Morning Valley.

As the condition precedents were not fulfilled within the period stipulated in the SPA, both AQRS and Morning Valley mutually terminated the SPA on 30 June 2008. The deposit was refunded by AQRS via a set-off against advances of RM3,000,000 owing by Amshore Holdings Sdn. Bhd., a related company of Morning Valley, to AQRS.

On 5 August 2011, Morning Valley filed a claim against AQRS for a sum of RM3,000,000, being the deposit which it alleges has not been refunded.

On 9 September 2011, AQRS filed a Striking-Out Application at the High Court to strike-out Morning Valley's claim. The High Court, after taking into consideration the Affidavits filed by both parties, is of the opinion it is unsafe to strike-out Morning Valley's claim and set the case for Full-Trial.

During the financial year, Morning Valley and AQRS reached a settlement on the matter. Pursuant thereto, AQRS had made full and final settlement for the sum of RM200,000 to the Morning Valley's solicitor as a stakeholder on 4 March 2013. On 10 July 2013, Morning Valley has withdrawn the suit with no liberty to file afresh and without order as to costs and the Notice of Discontinuance was issued on the same date.

B10. Dividend

The first and final single tier dividend of RM1.56 per ordinary share, amounting to RM5,546,112 in respect of the financial year ended 31 December 2012 has been approved by the shareholders at the Company's Annual General Meeting on 28 June 2013 and has been subsequently paid on 29 July 2013.

No dividend has been proposed by the Board of Directors for the current financial quarter ended 30 June 2013.

B11. Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June 13	30 June 12	30 June 13	30 June 12
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	23,038	9,043	30,613	14,680
Weighted average number of ordinary shares in issue (000)	355,520	293,520	355,520	293,520
Basic earnings per share (sen)	6.48	3.08	8.61	5.00

There are no diluted earnings per share as the Company does not have any potential dilutive ordinary shares at the end of the current quarter under review.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2013

B12. Realised and Unrealised Retained Profits

	As at 30 June 13 RM'000	As at 31 Dec 12 RM'000
Total retained earnings for the Group:		
- Realised	168,771	143,184
- Unrealised	1,391	335
	<u>170,162</u>	<u>143,519</u>
Less: Consolidated adjustments	<u>(74,605)</u>	<u>(73,029)</u>
Total group retained earnings as per consolidated accounts	<u><u>95,557</u></u>	<u><u>70,490</u></u>

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 27 August 2013.