

**GABUNGAN AQRS BERHAD**  
 (Company No: 912527 - A)  
 (Incorporated in Malaysia)  
 Quarterly Unaudited Results of the Group for the 3rd Quarter ended 30 September 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 7 August 2013, the MASB issued another announcement that Transitioning Entities would only be required to adopt the MFRS framework for the annual periods beginning on or after 1 January 2015.

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 the following:

- (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; and
- (ii) increase in the authorised share capital of the Company from RM100,000,000 to RM500,000,000.

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**A8. Dividend Paid**

During the financial period ended 30 September 2013, 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 paid on 29 July 2013.

**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:

9 months ended 30 Sept 2013	Construction RM'000	Property Development RM'000	Other RM'000	Total/Group RM'000
<b>Segment Revenue</b>				
Total revenue	250,169	102,623	-	352,792
Inter-segment sales	(60,607)	-	-	(60,607)
Revenue from external customers	189,562	102,623	-	292,185
Interest income	609	328	802	1,739
Finance cost	(1,506)	(1,266)	-	(2,772)
Net finance expense	(897)	(938)	802	(1,033)
Depreciation	(1,512)	(424)	-	(1,936)
<b>Segment profit/(loss) before taxation</b>	24,462	38,105	(3,004)	59,563
Taxation	(7,799)	(7,841)	127	(15,513)
<b>Segment profit/(loss) for the period</b>	16,663	30,264	(2,877)	44,050
<b>Segment assets</b>	240,850	339,023	29,615	609,488
<b>Segment liabilities</b>	270,180	82,653	593	353,426

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

9 months ended 30 Sept 2012	Construction RM'000	Property Development RM'000	Other RM'000	Total/Group RM'000
<b>Segment Revenue</b>				
Total revenue	251,211	35,377	-	286,588
Inter-segment sales	(32,313)	-	-	(32,313)
Revenue from external customers	218,898	35,377	-	254,275
Interest income	210	112	232	554
Finance cost	(676)	(2,774)	-	(3,450)
Net finance expense	(466)	(2,662)	232	(2,896)
Depreciation	(1,023)	(328)	-	(1,351)
<b>Segment profit/(loss) before taxation</b>	30,977	(247)	(3,270)	27,460
Taxation	(7,162)	(963)	(6)	(8,131)
<b>Segment profit/(loss) for the period</b>	23,815	(1,210)	(3,276)	19,329
<b>Segment assets</b>	207,684	230,201	44,176	482,061
<b>Segment liabilities</b>	191,078	75,542	862	267,482

**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.

**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 financial quarter under review except for the following:

- (a) On 15 July 2013, Bright Reach Sdn Bhd (**%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; and
- (b) On 4 September 2013, the Company has subscribed for 3,000 ordinary shares of RM1.00 each at par value in the share capital of Kreatif Sinar Gabungan Sdn Bhd (**%SGSB+**), representing 30% of the total issued and paid-up share capital of KSGSB.

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**A14. Capital Commitment**

	<b>As at 30 Sept 13 RM'000</b>	<b>As at 31 Dec 12 RM'000</b>
Contracted but not provided for:		
- Land help for property development	197,930	182,647
- Property, plant and equipment	<u>2,880</u>	<u>-</u>

**A15. Contingent Liabilities**

Details of contingent liabilities of the Group are as follows:

	<b>As at 30 Sept 13 RM'000</b>	<b>As at 31 Dec 12 RM'000</b>
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>130,598</u>	<u>127,363</u>
	<u>130,598</u>	<u>132,565</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**

For the current quarter under review, the Group recorded revenue of RM105.46 million and profit after taxation and non-controlling interest of RM6.29 million as compared to RM110.47 million and RM3.94 million respectively in preceding quarter ended 30 September 2012.

For the 9 months-to-date, the group achieved a higher turnover of RM292.18 million and profit after taxation and non-controlling interest of RM36.91 million compared to RM254.27 million and RM18.62 million respectively in the corresponding period-to-date last year.

During the current year to date, construction segment recorded revenue of RM250.17 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM102.62 million. The construction division continues to be the main revenue contributor to the Group, attributing 70.91% 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 revenue recognition from higher work progress achieved.

**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 RM105.46 million and RM6.29 million as compared to RM103.25 million and RM23.04 million respectively reported in the immediate preceding quarter.

The Group recorded a lower profit before tax (~~(%BT)~~) of RM12.01 million in the current quarter compared to the preceding quarter of RM33.68 million. During the current quarter under review, the property development division registered lower revenue and the previous quarter 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 during the preceding quarter.

The overall Group's lower net profit was mainly due to higher current period tax charge resulting from non-deductible items that are initial expense in nature.

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 construction of a school in Puncak Jalil.

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**B3. Prospects**

With the recent Budget 2014 introduction of anti-speculative measures on the property sector, the Group anticipates in the near-term a softened demand for property amongst house buyer and commercial property investors.

Despite the challenging outlook posed to the property market, the Group plan to steer forward with its mixed development projects that are currently being planned for launches into the year 2014 and the subsequent years.

The Group will continue to focus on its core construction business and bid actively for both private and the public sector projects, seeking opportunities available from the 10<sup>th</sup> Malaysian Plan and the infrastructure projects that are planned for implementation under the Economic Transformation Programme.

With upcoming new launches comprising a mixed development on a parcel of residential land situated in Taman Putra Perdana and a mixed commercial development comprising serviced apartments and a neighbourhood mall in Taman Lestari Perdana in year 2014, the Group is additionally backed by a strong construction order book which will provide revenue growth and sustained profits for the Group.

Barring any unforeseen circumstances, the Board expects performance from both divisions of the Group for the rest of the current financial year 2013 to remain satisfactory.

**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		Cumulative Quarter	
	30 Sept 13	30 Sept 12	30 Sept 13	30 Sept 12
	RM'000	RM'000	RM'000	RM'000
Interest income	632	370	1,739	554
Other income	253	2	293	6
Interest expense (excluding interest capitalised)	(931)	(961)	(2,772)	(2,156)
Depreciation and amortisation	(702)	(485)	(1,936)	(1,351)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Gain on disposal of property, plant and equipment	94	-	176	194
Gain on disposal of investment properties	*	*	17,622	*
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.

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**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 Sept 13	30 Sept 12	30 Sept 13	30 Sept 12
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	4,093	3,770	14,083	10,402
- Prior years	-	(346)	(66)	(346)
	<u>4,093</u>	<u>3,424</u>	<u>14,017</u>	<u>10,056</u>
Deferred taxation				
- Current year	(298)	(1,899)	(1,160)	(2,062)
- Prior years	96	21	86	137
	<u>(202)</u>	<u>(1,878)</u>	<u>(1,074)</u>	<u>(1,925)</u>
Real property gains tax	-	-	2,570	-
	<u>3,891</u>	<u>1,546</u>	<u>15,513</u>	<u>8,131</u>

The Group effective tax rate for the current quarter and cumulative quarter of 32.41% and 26.04% is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

**B7. Status of Corporate Proposals Announced**

(a) Stylo Land

The proposed acquisition of Stylo Land as stated in Section 2.8.1 of our Prospectus dated 29 June 2012 did not materialise as certain Conditions Precedent as set out in the SPA were not fulfilled as at the Extended Conditions Precedent Fulfilment Date. The Company, has decided not to proceed with the Proposed Acquisition by electing to terminate the SPA to avoid any future unascertained liabilities from being realised.

(b) Status of Utilisation of Proceeds

The proceeds arising from the Company's IPO amounted to RM73.160 million and as at 22 November 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	7,715	17,285	69.1	(a)&(b)
ii. Acquisition of new corporate headquarters	Within 36 months	12,000	3,407	8,593	71.6	(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)



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**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 November 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**

	<b>As at 30 Sept 13 RM'000</b>	<b>As at 31 Dec 12 RM'000</b>
The Group's borrowings and debt securities are as follows:		
<b>Long term borrowings</b>		
Secured:		
Hire purchase creditors	5,218	3,946
Term loans	6,533	10,718
	<u>11,751</u>	<u>14,664</u>
<b>Short term borrowings</b>		
Secured:		
Bank overdrafts	49,890	23,180
Hire purchase creditors	1,665	1,137
Term loans	24,585	24,573
Revolving credit	400	400
	<u>76,540</u>	<u>49,290</u>

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**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**

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

**B11. Earnings Per Share**

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period under review.

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 Sept 13	30 Sept 12	30 Sept 13	30 Sept 12
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	6,292	3,938	36,906	18,616
Weighted average number of ordinary shares in issue (₹000)	355,520	308,681	355,520	308,681
<b>Basic earnings per share (sen)</b>	<b>1.77</b>	<b>1.28</b>	<b>10.38</b>	<b>6.03</b>

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**B11. Earnings Per Share (cont'd)**

(b) Diluted

The Company has warrants in issue for the current quarter under review. However, the diluted earnings per share for the Group were not presented as there are no conversion from the exercise of the warrants as the market price for the share price is below the warrant exercise price.

**B12. Realised and Unrealised Retained Profits**

	<b>As at 30 Sept 13 RM'000</b>	<b>As at 31 Dec 12 RM'000</b>
<b>Total retained earnings for the Group:</b>		
- Realised	178,392	143,184
- Unrealised	<u>1,592</u>	<u>335</u>
	179,984	143,519
Less: Consolidated adjustments	<u>(78,223)</u>	<u>(73,029)</u>
Total group retained earnings as per consolidated accounts	<u>101,761</u>	<u>70,490</u>

**B13. Authorisation for Issue**

This interim financial report was authorised for issuance by the Board of Directors of the Company on 29 November 2013.