

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 2nd Quarter ended 30 June 2014

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 2013. 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 2013.

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 2013, except for the adoption of the following new/revised FRSs and amendment to FRSs:

Effective for financial periods beginning or after 1 January 2014:

- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

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

Effective for financial periods beginning on or after 1 July 2014:

- Amendments to FRS 119: Defined Benefit Plans: Employee Contributions
- Annual Improvements to FRSs 2010 - 2012 Cycle
- Annual Improvements to FRSs 2011 - 2013 Cycle

Effective for financial periods beginning on or after 1 January 2015:

- FRS 9: Financial Instruments

The adoption of the above revised FRSs, IC Interpretation and Amendments do not have any significant financial impact on the Group.

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.

A2. Changes in Accounting Policies (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

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 2015. 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.

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the financial year ending 31 December 2015.

A3. Qualification of Financial Statements

The auditors report for the preceding audited financial statements was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

A5. Nature and Amount of Unusual Items

There were no unusual items for the current quarter.

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

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 other than the following:-

On 26 June 2014, the shareholders of the Company approved the renewal authority for the Company's plan to repurchase its own shares. During the current quarter, the Company repurchased 100,000 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM113,500 at an average price of RM1.14 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

A8. Dividend Paid

No dividend has been paid during the current quarter.

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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.

6 months ended 30 June 2014	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	217,340	107,738	-	325,078
Inter segment revenue	(46,253)	-	-	(46,253)
Revenue from external customers	171,087	107,738	-	278,825
Interest income	347	493	161	1,001
Finance cost	(1,419)	(1,117)	-	(2,536)
Net finance expense	(1,072)	(624)	161	(1,535)
Segment profit/(loss) before taxation	19,186	36,186	(2,914)	52,458
Taxation	(5,611)	(9,342)	32	(14,921)
Other material non-cash item:				
- Depreciation	(1,874)	(299)	(22)	(2,195)
Additions to non-current assets other than financial instruments and deferred tax assets	14,422	51	-	14,473
Segment assets	540,390	443,146	152,680	1,136,216
Segment liabilities	374,719	376,822	9,460	761,001

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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:

6 months ended 30 June 2013	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	145,787	75,953	-	221,740
Inter segment revenue	(35,011)	-	-	(35,011)
Revenue from external customers	110,776	75,953	-	186,729
Interest income	433	133	541	1,107
Finance cost	(983)	(858)	-	(1,841)
Net finance expense	(550)	(725)	541	(734)
Segment profit/(loss) before taxation	17,751	33,103	(1,986)	48,868
Taxation	(5,153)	(6,595)	127	(11,621)
Other material non-cash item:				
- Depreciation	(956)	(278)	-	(1,234)
Additions to non-current assets other than financial instruments and deferred tax assets	2,217	28	-	2,245
Segment assets	399,546	346,864	146,350	892,760
Segment liabilities	259,867	305,268	6,186	571,321

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

	As at 30 June 14 RM'000	As at 30 June 13 RM'000
Revenue		
Total revenue for reportable segments	325,078	221,740
Elimination of inter-segmental revenues	(46,253)	(35,011)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	278,825	186,729
Profit for the financial period		
Total profit or loss for reportable segments	52,458	48,868
Elimination of consolidation adjustments	(536)	(1,313)
Profit before tax	51,922	47,555
Tax expense	(14,921)	(11,621)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	37,001	35,934

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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:

	As at 30 June 14 RM'000	As at 30 June 13 RM'000
Assets		
Total assets for reportable segments	1,136,216	892,760
Elimination of investment in subsidiaries and consolidation adjustments	(76,644)	(70,905)
Elimination on inter-segment balances	(325,933)	(243,185)
Total assets of the Group per consolidated statement of financial position	<u>733,639</u>	<u>578,670</u>
Liabilities		
Total liabilities for reportable segments	761,001	571,321
Elimination of consolidation adjustments	1,794	1,794
Elimination on inter-segment balances	(320,769)	(242,393)
Total liabilities of the Group per consolidated statement of financial position	<u>442,026</u>	<u>330,722</u>

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

Further to the Company's announcement dated 6 March 2013, the Company via its wholly-owned subsidiary, Sinajasa Sdn Bhd, has entered into a Share Sale Agreement with Sabah Economic Development Corporation for the acquisition of 49% equity interest in Sedco Precast Sdn Bhd (formerly known as Associated Concrete Products (Sabah) Sdn Bhd). The acquisition was completed on 9 April 2014 following the full settlement of the Purchase Consideration amounting to RM3,322,000.

There were no changes to the composition of the Group for the current quarter, except on 19 May 2014, the Company acquired the entire issued and paid up share capital of Gabungan AQRS Capital Sdn. Bhd. (GAC), a company incorporated in Malaysia, for a total cash consideration of RM2.

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A14. Capital Commitment

	As at 30 June 14 RM'000	As at 31 Dec 13 RM'000
Contracted but not provided for:		
- Share of equity interest in an entity	-	3,469
- Land held for property development	17,822	25,147
- Freehold land held under development	86,000	87,000
- Property, plant and equipment	5,920	6,660
	<u>109,742</u>	<u>122,276</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 30 June 14 RM'000	As at 31 Dec 13 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>133,363</u>	<u>140,256</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 RM131.16 million and profit after tax and non-controlling interest of RM14.06 million as compared to RM103.25 million and RM23.04 million respectively in preceding quarter ended 30 June 2013.

During the current year to date, construction segment recorded revenue of RM217.34 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM107.74 million. The construction division continues to be the main revenue contributor to the Group, attributing 66.86% of the current quarter's revenue (before eliminating inter-segment sales).

The contribution from the construction division increased in the current quarter under review as compared to the previous year's corresponding quarter due to higher progress work done for on-going projects.

The contribution from property development division increased in the current quarter under review as compared to the previous year's corresponding quarter due to higher sales and higher work progress contributed by the projects; ~~±~~The Avenueq (shop offices located in Kinrara Uptown, Puchong), ~~±~~The Peakq (Sky Villaq serviced apartments located in Jalan Temenggong, Johor Bahru Flagship A of Iskandar Malaysia) and ~~±~~Permas Centroq (shop offices located in Permas Jaya, Johor Bahru Flagship D of Iskandar Malaysia).

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 RM131.16 million and RM14.06 million as compared to RM147.66 million and RM12.04 million respectively reported in the immediate preceding quarter.

The Group profit before tax (~~±~~PBT) of RM26.61 million in the current quarter is marginally higher as compared to the preceding quarter of RM25.32 million. During the current quarter under review, the increase in PBT for the construction division was resulted from higher work progress from the Package V1: MRT Project and the enhancement works along Jalan Rantau/Sungai Gadut, Negeri Sembilan.

The property development division registered a higher profit before tax during the quarter under review as compared to the preceding quarter attributable to higher sale of the shop offices from the projects; ~~±~~The Avenueq and ~~±~~Permas Centroq in addition to overall progress work recognition of its development projects.

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B3. Prospects

Apart from the on-going projects in the Klang Valley and Southern Region for both the Construction and Property Development Divisions which is expected to contribute positively, the business momentum of the Group is expected to be sustained through potential business opportunities.

Despite the challenge posed by stringent bank loan guidelines which continue to affect potential buyers, the Property Development Division is positive that the future launch of its second phase of Kinrara Uptown Development in high-growth area of Puchong (serviced apartments offering high accessibility via various highways such as the Bukit Jalil Highway and Maju Expressway) will contribute to the future performance of its division.

Barring any unforeseen circumstances, the Board expects to achieve satisfactory performance for the current financial year 2014.

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	
	3 months ended		6 months ended	
	30 June 14	30 June 13	30 June 14	30 June 13
	RM'000	RM'000	RM'000	RM'000
Interest income	492	615	1,001	1,107
Other income	204	38	274	40
Interest expense (excluding interest capitalised)	(1,281)	(996)	(2,536)	(1,841)
Depreciation and amortisation	(1,306)	(633)	(2,195)	(1,234)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	7	39	8	41
Gain on disposal of property, plant and equipment	*	104	*	82
Gain on disposal of investment property	*	17,622	*	17,622
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.

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B6. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30 June 14 RM'000	30 June 13 RM'000	30 June 14 RM'000	30 June 13 RM'000
Current taxation				
- Current year	7,465	5,646	15,592	9,990
- Prior years	165	(67)	165	(67)
	<u>7,630</u>	<u>5,579</u>	<u>15,757</u>	<u>9,923</u>
Deferred taxation				
- Current year	(415)	(827)	(1,339)	(862)
- Prior years	503	84	503	(10)
	<u>88</u>	<u>(743)</u>	<u>(836)</u>	<u>(872)</u>
Real property gains tax	-	2,570	-	2,570
	<u>7,718</u>	<u>7,406</u>	<u>14,921</u>	<u>11,621</u>

The Group effective tax rate for the current quarter and cumulative quarter of 29.01% and 28.74% is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

B7. Status of Corporate Proposals Announced

(a) Status of Utilisation of Proceeds

The proceeds arising from the Company's IPO amounted to RM73.160 million and as at 22 August 2014, 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	23,360	1,640	6.6	(a)&(b)
ii. Acquisition of new corporate headquarters	Within 36 months	12,000	5,149	6,851	57.1	(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)

Notes:-

- (i) 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.
- (ii) The unutilised proceeds raised from the Public Issue are placed in short-term deposits with licensed banks.

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

Notes:-

- (iii) 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.
- (iv) As at 22 August 2014, 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.

(b) Private placement

On 2 July 2014, the Company announced its intention to implement a private placement of up to 10% of the issued and paid-up shares of the Company to third party investor to be identified at a later date. The additional listing application in connection with the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad on 4 July 2014.

The approval from Bursa Malaysia Securities Berhad pursuant to the Proposed Private Placement has been obtained on 14 July 2014.

On 11 August 2014, the Company has fixed the issue price of 35,400,000 Placement Shares at RM1.10 per Placement Share. The issue price of RM1.10 per Placement Share represents a discount of approximately 9.84% to the five (5)-day weighted average market price of the Company's shares up to and including 8 August 2014 of RM1.22.

B8. Group Borrowings and Debt Securities

	As at 30 June 14 RM'000	As at 31 Dec 13 RM'000
The Group's borrowings and debt securities are as follows:		
Long term borrowings		
Secured:		
Hire purchase creditors	8,132	5,404
Term loans	31,451	29,085
	<u>39,583</u>	<u>34,489</u>
Short term borrowings		
Secured:		
Bank overdrafts	83,679	58,249
Hire purchase creditors	3,786	2,195
Term loans	28,135	38,859
Revolving credit	400	400
	<u>116,000</u>	<u>99,703</u>

B9. Material Litigation

There was no material litigation pending as at the date of this report.

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B10. Dividend

The final single tier dividend of 1.91 sen per ordinary share, amounting to RM6,771,231 in respect of the financial year ended 31 December 2013 has been approved by the shareholders at the Company's Annual General Meeting on 26 June 2014 and has been subsequently paid on 23 July 2014.

No dividend has been proposed by the Board of Directors for the current financial quarter ended 30 June 2014.

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		6 months ended	
	30 June 14	30 June 13	30 June 14	30 June 13
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	14,056	23,038	26,098	30,613
Weighted average number of ordinary shares in issue (±00)	354,643	355,520	354,643	355,520
Basic earnings per share (sen)	3.96	6.48	7.36	8.61

(b) Diluted

The Company has warrants in issue for the current quarter under review. However, the diluted earnings per share for the Group would be the same as basic earnings per share as there were no conversion from the exercise of the warrants as the market price of the share price was below the warrant exercise price.

B12. Realised and Unrealised Retained Profits

	As at	As at
	30 June 14	31 Dec 13
	RM'000	RM'000
Total retained earnings for the Group:		
- Realised	216,243	186,452
- Unrealised	2,917	2,080
	219,160	188,532
Less: Consolidated adjustments	(93,176)	(81,875)
Total group retained earnings as per consolidated accounts	125,984	106,657

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 28 August 2014.