

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 3rd Quarter ended 30 September 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

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

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 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').

A2. Changes in Accounting Policies (Cont'd)

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

Transitioning Entities would be allowed to defer the adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the new MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

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 2017. 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 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, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period to date save as disclosed in B7 (b).

During the financial period 30 September 2014, the Company has repurchased a total 693,800 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM770,556 at an average price of RM1.11 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

During the financial period ended 30 September 2014, the first and 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 paid on 23 July 2014.

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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.

9 months ended 30 September 2014	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	314,740	162,212	-	476,952
Inter segment revenue	(64,856)	-	-	(64,856)
Revenue from external customers	249,884	162,212	-	412,096
Interest income	414	554	290	1,258
Finance cost	(2,368)	(1,447)	-	(3,815)
Net finance expense	(1,954)	(893)	290	(2,557)
Segment profit/(loss) before taxation	29,371	53,528	(4,366)	78,533
Taxation	(8,133)	(15,105)	32	(23,206)
Other material non-cash item: - Depreciation	(3,320)	(439)	(32)	(3,791)
Additions to non-current assets other than financial instruments and deferred tax assets	20,079	27,059	7,532	54,670
Segment assets	564,147	480,440	192,620	1,237,207
Segment liabilities	390,747	402,537	12,497	805,781

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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: (cont'd)

9 months ended 30 September 2013	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	250,169	102,623	-	352,792
Inter segment revenue	(60,607)	-	-	(60,607)
Revenue from external customers	189,562	102,623	-	292,185
Interest income	609	328	802	1,739
Finance cost	(1,505)	(1,267)	-	(2,772)
Net finance expense	(896)	(939)	802	(1,033)
Segment profit/(loss) before taxation	29,716	36,436	(3,004)	63,148
Taxation	(7,799)	(7,841)	127	(15,513)
Other material non-cash item:				
- Depreciation	(1,512)	(424)	-	(1,936)
Additions to non-current assets other than financial instruments and deferred tax assets	4,507	198	-	4,705
Segment assets	452,285	362,943	139,750	954,978
Segment liabilities	303,855	315,860	603	620,318

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

	As at 30 Sept 14 RM'000	As at 30 Sept 13 RM'000
Revenue		
Total revenue for reportable segments	476,952	352,792
Elimination of inter-segmental revenues	(64,856)	(60,607)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	412,096	292,185
Profit for the financial period		
Total profit or loss for reportable segments	78,533	63,148
Elimination of consolidation adjustments	(237)	(3,585)
Profit before tax	78,296	59,563
Tax expense	(23,206)	(15,513)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	55,090	44,050

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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 Sept 14 RM'000	As at 30 Sept 13 RM'000
Assets		
Total assets for reportable segments	1,237,207	954,978
Elimination of investment in subsidiaries and consolidation adjustments	(76,669)	(73,739)
Elimination on inter-segment balances	<u>(360,866)</u>	<u>(271,751)</u>
Total assets of the Group per consolidated statement of financial position	<u><u>799,672</u></u>	<u><u>609,488</u></u>
Liabilities		
Total liabilities for reportable segments	805,781	620,318
Elimination of consolidation adjustments	1,794	1,794
Elimination on inter-segment balances	<u>(355,960)</u>	<u>(268,686)</u>
Total liabilities of the Group per consolidated statement of financial position	<u><u>451,615</u></u>	<u><u>353,426</u></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

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

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A14. Capital Commitment

	As at 30 Sept 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	12,284	25,147
- Freehold land held under development	81,500	87,000
- Property, plant and equipment	-	6,660
	<u>93,784</u>	<u>122,276</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 30 Sept 14 RM'000	As at 31 Dec 13 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>133,412</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 RM133.27 million and profit after tax and non-controlling interest of RM15.15 million as compared to RM105.46 million and RM6.29 million respectively in the preceding year's corresponding quarter ended 30 September 2013.

During the current year to date, construction segment recorded revenue of RM314.74 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM162.21 million. The construction division continues to be the main revenue contributor to the Group, attributing 64.13% 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 Avenue' (shop offices located in Kinrara Uptown, Puchong), and 'Permas Centro' (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 RM133.27 million and RM15.15 million as compared to RM131.16 million and RM14.06 million respectively reported in the immediate preceding quarter.

The Group profit before tax ("PBT") of RM26.37 million in the current quarter is marginally lower as compared to the preceding quarter of RM26.61 million. During the current quarter under review, the slight increase in PBT for the construction division resulted from higher work progress for on-going projects.

Corresponding to a slightly lower revenue during the quarter under review, the property development division has registered a marginally lower profit before tax.

B3. Prospects

Against a vibrant outlook for the construction sector in Malaysia into year 2015, the Group is expecting its order book to be further strengthened which will sustain growth in both revenue and profits of its construction arm.

The Group remains optimistic that the pipeline of on-going and upcoming launches of its property development projects is expected to continue to contribute positively to the Group's earnings amidst the challenging market conditions for the property sector.

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

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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		9 months ended	
	30 Sept 14	30 Sept 13	30 Sept 14	30 Sept 13
	RM'000	RM'000	RM'000	RM'000
Interest income	257	632	1,258	1,739
Other income	207	253	481	293
Interest expense (excluding interest capitalised)	(1,279)	(931)	(3,815)	(2,772)
Depreciation and amortisation	(1,596)	(702)	(3,791)	(1,936)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	(21)	-	(22)	(42)
Gain on disposal of property, plant and equipment	192	94	192	176
Gain on disposal of investment property	*	*	*	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.

B6. Taxation

	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 Sept 14	30 Sept 13	30 Sept 14	30 Sept 13
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	7,602	4,093	23,194	14,083
- Prior years	-	-	165	(66)
	<u>7,602</u>	<u>4,093</u>	<u>23,359</u>	<u>14,017</u>
Deferred taxation				
- Current year	145	(298)	(1,194)	(1,160)
- Prior years	538	96	1,041	86
	<u>683</u>	<u>(202)</u>	<u>(153)</u>	<u>(1,074)</u>
Real property gains tax	-	-	-	2,570
	<u>8,285</u>	<u>3,891</u>	<u>23,206</u>	<u>15,513</u>

The Group effective tax rate for the current quarter and cumulative quarter of 31.41% and 29.64% 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 7 November 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	12,000	-	-	(a)
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	(d)

Notes:-

- (a) 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.
- (b) The unutilised proceeds raised from the Public Issue are placed in short-term deposits with licensed banks.
- (c) 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.
- (d) As at 7 November 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.

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

(b) Private Placement (cont'd)

Pursuant to the Private Placement Exercise which was duly completed upon the subscription and listing of the 35,400,000 Placement Shares at RM1.10 each on the Main Market of Bursa Malaysia Securities Berhad with effect from 22 August 2014, the gross proceeds raised from the Private Placement Exercise was RM38,940,000 and the current utilisation status as at 7 November 2014 is as set out below:-

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. Working capital	Within 3 months	38,490	36,727	1,763	4.6	(a)
ii. Estimated expenses relating to the exercise	Within 1 month	450	450	-	-	

Note:-

(a) The unutilised proceeds raised from the Private Placement are placed in short-term deposits with licensed banks.

B8. Group Borrowings and Debt Securities

	As at 30 Sept 14 RM'000	As at 31 Dec 13 RM'000
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The Group's borrowings and debt securities are as follows:

Long term borrowings

Secured:

Hire purchase creditors

8,731 5,404

Term loans

35,493 29,085

	44,224	34,489
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Short term borrowings

Secured:

Bank overdrafts

86,323 58,249

Hire purchase creditors

5,006 2,195

Term loans

18,789 38,859

Revolving credit

400 400

	110,518	99,703
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B9. Material Litigation

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

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B10. Dividend

No dividend has been proposed by the Board of Directors for the current financial quarter ended 30 September 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 3 months ended		Cumulative Quarter 9 months ended	
	30 Sept 14 RM'000	30 Sept 13 RM'000	30 Sept 14 RM'000	30 Sept 13 RM'000
Profit attributable to equity holders of the Company (RM'000)	15,147	6,292	41,245	36,906
Number of shares at the beginning of the year ('000)	355,209	355,520	355,209	355,520
Issuance of share - Private Placement	12,802	-	12,802	-
Effect of Share Buy Back	(566)	-	(566)	-
Weighted average number of ordinary shares in issue ('000)	367,445	355,520	367,445	355,520
Basic earnings per share (sen)	4.12	1.77	11.22	10.38

(b) Diluted

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30 Sept 14 RM'000	30 Sept 13 RM'000	30 Sept 14 RM'000	30 Sept 13 RM'000
Profit attributable to equity holders of the Company (RM'000)	15,147	6,292	41,245	36,906
No of ordinary shares for basic earnings per share computation	367,445	355,520	367,445	355,520
Effect of dilution - on assumption that all warrants are exercised	159,984	- n/a -	159,984	- n/a -
No of ordinary shares for diluted earnings per share computation	527,429	355,520	527,429	355,520
Diluted earnings per share (sen)	2.87	1.77	7.82	10.38

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B12. Realised and Unrealised Retained Profits

	As at 30 Sept 14 RM'000	As at 31 Dec 13 RM'000
Total retained earnings for the Group:		
- Realised	235,250	186,452
- Unrealised	1,765	2,080
	<u>237,015</u>	<u>188,532</u>
Less: Consolidated adjustments	(95,884)	(81,875)
Total group retained earnings as per consolidated accounts	<u>141,131</u>	<u>106,657</u>

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 15 November 2014.