

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 4th Quarter ended 31 December 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

New FRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015

The following are Standards of the FRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group.

Title	Effective Date
Amendments to FRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to FRSs <i>Annual Improvements 2010-2012 Cycle</i>	1 July 2014
Amendments to FRSs <i>Annual Improvements 2011-2013 Cycle</i>	1 July 2014
FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 10 and FRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 116 and FRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
Amendments to FRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 <i>Investment Entities: Applying the consolidation Exception</i>	1 January 2016
FRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018

The Group is in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable for future financial years.

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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 2 September 2014, MASB has announced that Transitioning Entities shall be required to apply MFRS Framework 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 financial 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 financial quarter and financial year-to-date.

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, except as follows:

- (a) During the financial year, the issued and paid-up share capital of the Company was increased from RM88,880,000 to RM97,730,000 by way of Private Placement of 35,400,000 new ordinary shares of RM0.25 each at RM1.10 per share for cash.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

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A7. Issuance and Repayment of Debt and Equity Securities (Cont'd)

(b) During the financial year-to-date, the Company has repurchased a total 2,163,400 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM2,663,431 at an average price of RM1.23 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

On 23 July 2014, the Company paid a 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.

On 15 December 2014, Prestige Field Development Sdn Bhd, a 52%-owned subsidiary the subsidiary of the Company paid a final single tier dividend of RM98 per ordinary share to the non-controlling interests, amounting to RM23,520,000 in respect of the financial year ended 31 December 2014.

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.

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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)

12 months ended 31 December 2014	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	406,030	208,891	28,859	643,780
Inter segment revenue	(80,797)	-	(28,859)	(109,656)
Revenue from external customers	325,233	208,891	-	534,124
Interest income	730	710	330	1,770
Finance cost	(3,380)	(2,624)	-	(6,004)
Net finance expense	(2,650)	(1,914)	330	(4,234)
Segment profit/(loss) before taxation	40,080	67,756	22,508	130,344
Taxation	(12,043)	(20,845)	(51)	(32,939)
Other material non-cash item:				
- Depreciation	(5,124)	(575)	(88)	(5,787)
Investment in a joint venture	-	-	252	252
Investment in an associate	-	-	3,322	3,322
Additions to non-current assets other than financial instruments and deferred tax assets	32,873	31,244	9,491	73,608
Segment assets	626,049	513,300	219,296	1,358,645
Segment liabilities	445,495	475,909	14,274	935,678

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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)

12 months ended 31 December 2013	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	369,028	122,643	14,886	506,557
Inter segment revenue	(85,363)	-	(14,886)	(100,249)
Revenue from external customers	283,665	122,643	-	406,308
Interest income	814	482	1,002	2,298
Finance cost	(2,144)	(2,094)	-	(4,238)
Net finance expense	(1,330)	(1,612)	1,002	(1,940)
Segment profit/(loss) before taxation	49,026	32,305	(4,030)	77,301
Taxation	(13,544)	(7,732)	127	(21,149)
Other material non-cash item:				
- Depreciation	(2,122)	(582)	-	(2,704)
Investment in a joint venture			3	3
Additions to non-current assets other than financial instruments and deferred tax assets	6,930	48,523	2,180	57,633
Segment assets	472,538	433,497	154,659	1,060,694
Segment liabilities	320,302	394,018	3,014	717,334

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

	As at 31 Dec 14 RM'000	As at 31 Dec 13 RM'000
Revenue		
Total revenue for reportable segments	643,780	506,557
Elimination of inter-segmental revenues	(109,656)	(100,249)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	534,124	406,308
Profit for the financial period		
Total profit or loss for reportable segments	130,344	77,301
Elimination of inter-segment profits	(25,066)	(4,054)
Impairment losses on goodwill	-	(7)
Elimination of consolidation adjustments	892	(734)
Profit before tax	106,170	72,506
Tax expense	(32,939)	(21,149)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	73,231	51,357

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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 31 Dec 14 RM'000	As at 31 Dec 13 RM'000
Assets		
Total assets for reportable segments	1,358,645	1,060,694
Elimination of investment in subsidiaries and consolidation adjustments	(76,911)	(79,412)
Elimination on inter-segment balances	(451,280)	(317,802)
Total assets of the Group per consolidated statement of financial position	<u>830,454</u>	<u>663,480</u>
Liabilities		
Total liabilities for reportable segments	935,678	717,334
Elimination of consolidation adjustments	1,794	1,794
Elimination on inter-segment balances	(447,803)	(317,801)
Total liabilities of the Group per consolidated statement of financial position	<u>489,669</u>	<u>401,327</u>

A10. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment performed in the financial 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 financial 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.

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A13. Changes in the Composition of the Group

There were no changes to the composition of the Group for the current financial year-to-date, except as follows:

- (a) On 30 January 2014, the Company acquired the entire issued and paid up share capital of Gabungan AQRS Management Sdn. Bhd. ('GBGAM'), a company incorporated in Malaysia, for a total cash consideration of RM2.
- (b) On 19 May 2014, the Company acquired the entire issued and paid up share capital of Gabungan AQRS Capital Sdn. Bhd. ('GBGAC'), a company incorporated in Malaysia, for a total cash consideration of RM2. On 22 May 2014, GBGAC increased its issued and paid-up share capital from RM2 to RM2,000,000 by way of new issuance of 1,999,998 ordinary shares of RM1.00 each. On even date, the Company subscribed for an additional 1,999,998 ordinary shares of RM1.00 each in GBGAC for a cash consideration of RM1,999,998. Consequently, there was no change in the effective equity interest held by the Company in GBGAC.
- (c) On 12 November 2014, Prestige Field Development Sdn. Bhd. ('Prestige'), a 52% owned subsidiary of the Company, has acquired the entire issued and paid up share capital of Estet Etos Sdn. Bhd. ('EESS'), a company incorporated in Malaysia, for a cash consideration of RM2.

The acquisition of the above mentioned companies did not have any material financial effect to the Group.

A14. Capital Commitment

	As at 31 Dec 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	29,439	25,147
- Freehold land held under development	79,000	87,000
- Property, plant and equipment	-	6,660
	<u>108,439</u>	<u>122,276</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 31 Dec 14 RM'000	As at 31 Dec 13 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>128,962</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 RM122.03 million and profit after tax and non-controlling interests of RM11.63 million as compared to RM114.12 million and RM5.93 million respectively in preceding quarter ended 31 December 2013.

During the current year to date, construction segment recorded revenue of RM406.03 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM208.89 million. The construction division continues to be the main revenue contributor to the Group, attributing 66.17% of the current quarter's revenue (before eliminating inter-segment sales).

The contribution from the construction division decreased marginally in the current quarter under review as compared to the previous year's corresponding quarter due to overall lower percentage of completion.

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 interests of RM122.03 million and RM11.63 million as compared to RM133.27 million and RM15.15 million respectively reported in the immediate preceding quarter.

The Group profit before tax ("PBT") of RM27.87 million in the current quarter is marginally higher as compared to the preceding quarter of RM26.37 million mainly due to higher profits realised for projects which are completed and nearing completion.

The property development division however, registered lower profit before tax during the quarter under review as compared to the preceding quarter mainly due to the partial de-recognition of the deferred tax assets.

B3. Prospects

Against a positive 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.

Despite challenging market conditions for the property sector amidst the continuing tightening of bank's lending policies and the introduction of the Goods and Services Tax effective from April 1, 2015, the Group expects its property development projects to contribute positively with its pipeline of on-going and upcoming project launches.

Barring any unforeseen circumstances, the Board expects to sustain satisfactory performance for the financial year 2015.

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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		12 months ended	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	RM'000	RM'000	RM'000	RM'000
Interest income	512	559	1,770	2,298
Other income	383	1,010	864	1,303
Interest expense (excluding interest capitalised)	(2,189)	(1,466)	(6,004)	(4,238)
Depreciation and amortisation	(1,996)	(768)	(5,787)	(2,704)
Impairment losses on trade and other receivables	*	(320)	*	(320)
Impairment losses on inventories	*	*	*	*
Property, plant and equipment written off	(99)	-	(128)	(40)
(Loss)/Gain on disposal of property, plant and equip	(11)	13	181	189
Gain on disposal of investment property	*	*	*	17,622
Goodwill written off	*	(7)	*	(7)
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 14	31 Dec 13	31 Dec 14	31 Dec 13
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	9,965	6,041	33,159	20,124
- Prior years	-	1,333	165	1,267
	<u>9,965</u>	<u>7,374</u>	<u>33,324</u>	<u>21,391</u>
Deferred taxation				
- Current year	(232)	(2,127)	(1,426)	(3,287)
- Prior years	-	389	1,041	475
	<u>(232)</u>	<u>(1,738)</u>	<u>(385)</u>	<u>(2,812)</u>
Real property gains tax	-	-	-	2,570
	<u>9,733</u>	<u>5,636</u>	<u>32,939</u>	<u>21,149</u>

The Group effective tax rate for the current quarter and cumulative quarter of 34.92% and 31.02% is higher than the statutory tax rate mainly due to the partial de-recognition of the deferred tax assets and certain expenses not deductible for tax purposes.

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B7. Status of Corporate Proposals Announced

(a) Initial Public Offering ('IPO')

The proceeds arising from the Company's IPO amounted to RM73.160 million and as at 18 February 2015, 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	25,000	-	-	(a),(b)&(c)
ii. Acquisition of new corporate headquarters	Within 36 months	12,000	12,000	-	-	(a)&(c)
iii. Working capital	Within 24 months	30,460	30,460	-	-	(c)
iv. Estimated listing expenses	Within 6 months	5,700	4,418	1,282	22.5	(c)&(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) 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

The proceeds arising from the Private Placement amounted to RM38.94 million and as at 18 February 2015, 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. Working capital	Within 3 months	38,490	38,490	-	-	(a)
ii. Estimated expenses relating to the exercise	Within 1 month	450	450	-	-	(a)

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

Note:-

(a) *The proceeds from the Private Placement are to be utilised within the estimated timeframe. The Group does not expect any material deviation as at the date of this quarterly report.*

B8. Group Borrowings and Debt Securities

	As at 31 Dec 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	12,405	5,404
Term loans	863	29,085
	<u>13,268</u>	<u>34,489</u>
Short term borrowings		
Secured:		
Bank overdrafts	97,500	58,249
Hire purchase creditors	6,257	2,195
Term loans	55,981	38,859
Revolving credit	400	400
	<u>160,138</u>	<u>99,703</u>

B9. Material Litigation

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

B10. Dividend

The Board has yet to decide on the dividend for the financial year ended 31 December 2014.

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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 12 months ended	
	31 Dec 14 RM'000	31 Dec 13 RM'000	31 Dec 14 RM'000	31 Dec 13 RM'000
Profit attributable to equity holders of the Company (RM'000)	11,634	5,934	52,879	42,840
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	(638)	(16)	(638)	(16)
Weighted average number of ordinary shares in issue ('000)	367,373	355,504	367,373	355,504
Basic earnings per share (sen)	3.17	1.67	14.39	12.05

(b) Diluted

Diluted earnings per ordinary share are the same as basic earnings per ordinary share as there were no dilutive potential ordinary shares.

The Company has warrants in issue for the financial year. However, the diluted earnings per ordinary 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 exercise price of the warrants exceeded the average market price of the ordinary shares during the period (i.e. they were 'out of the money').

B12. Realised and Unrealised Retained Profits

	As at 31 Dec 14 RM'000	As at 31 Dec 13 RM'000
Total retained earnings for the Group:		
- Realised	227,701	186,452
- Unrealised	2,748	2,080
	230,449	188,532
Less: Consolidated adjustments	(77,684)	(81,875)
Total group retained earnings as per consolidated accounts	152,765	106,657

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 25 February 2015.