

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2015

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 2014. 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 2014.

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 2014, except for the adoption of the following new/revised FRSs and amendment to FRSs:

On 1 January 2015, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

1 July 2014

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

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

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

1 January 2016

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to FRSs	Annual Improvements to FRSs 2012-2014 Cycle
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 101	Disclosure Initiative
Amendment to FRS 119	Annual Improvements to FRSs 2012-2014 Cycle
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendment to FRS 134	Annual Improvements to FRSs 2012-2014 Cycle

1 January 2018

FRS 9	Financial Instruments
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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.

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:-

During the current quarter, the Company repurchased 650,000 of its own ordinary shares of RM0.25 each from the open market for a total consideration of RM806,538 at an average price of RM1.24 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.

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A8. Dividend Paid

No dividend has been paid during the current quarter.

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:

3 months ended 31 March 2015	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	96,053	27,413	1,010	124,476
Inter segment revenue	(18,072)	-	(1,010)	(19,082)
Revenue from external customers	77,981	27,413	-	105,394
Interest income	57	35	27	119
Finance cost	(1,080)	(1,633)	-	(2,715)
Net finance expense	(1,023)	(1,598)	27	(2,596)
Segment profit/(loss) before taxation	2,734	6,295	(695)	8,334
Taxation	(622)	(2,134)	(19)	(2,775)
Other material non-cash item:				
- Depreciation	(2,563)	(137)	(103)	(2,803)
Additions to non-current assets other than financial instruments and deferred tax assets	4,475	7,230	99	11,804
Segment assets	595,841	589,372	218,273	1,403,486
Segment liabilities	413,276	547,768	14,771	975,815

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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)

3 months ended 31 March 2014	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	116,865	51,544	-	168,409
Inter segment revenue	(20,746)	-	-	(20,746)
Revenue from external customers	96,119	51,544	-	147,663
Interest income	5	370	88	463
Finance cost	(632)	(623)	-	(1,255)
Net finance expense	(627)	(253)	88	(792)
Segment profit/(loss) before taxation	8,982	18,061	(1,290)	25,753
Taxation	(2,476)	(4,727)	-	(7,203)
Other material non-cash item:				
- Depreciation	(716)	(173)	-	(889)
Additions to non-current assets other than financial instruments and deferred tax assets	3,630	2,403	-	6,033
Segment assets	540,886	420,571	152,697	1,114,154
Segment liabilities	382,254	367,757	3,000	753,011

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

	As at 31 Mar 15 RM'000	As at 31 Mar 14 RM'000
Revenue		
Total revenue for reportable segments	124,476	168,409
Elimination of inter-segmental revenues	(19,082)	(20,746)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	105,394	147,663
Profit for the financial period		
Total profit or loss for reportable segments	8,334	25,753
Elimination of inter-segment profits	(529)	(438)
Share of loss of a joint venture	(1)	-
Share of profit of an associate	58	-
Profit before tax	7,862	25,315
Tax expense	(2,775)	(7,203)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	5,087	18,112

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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	As at
	31 Mar 15	31 Mar 14
	RM'000	RM'000
Assets		
Total assets for reportable segments	1,403,488	1,114,154
Elimination of investment in subsidiaries and consolidation adjustments	(76,716)	(74,695)
Elimination on inter-segment balances	(424,034)	(311,733)
Total assets of the Group per consolidated statement of financial position	<u>902,738</u>	<u>727,726</u>
Liabilities		
Total liabilities for reportable segments	975,816	753,011
Elimination of consolidation adjustments	1,794	1,794
Elimination on inter-segment balances	(420,007)	(306,687)
Total liabilities of the Group per consolidated statement of financial position	<u>557,603</u>	<u>448,118</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 year-to-date, except on 5 February 2015, the Company subscribed for 45,000 ordinary shares of RM1.00 each in Trusvest Sdn. Bhd. (Trusvest) for a total cash consideration of RM45,000, representing 90% equity interest in Trusvest. Trusvest is a special purpose vehicle incorporated to undertake the construction and completion of the Proposed Provision of Accommodation on Base-Camp Concept Complete with Necessary Facilities for Petronas Chemicals Fertiliser Sabah Sdn. Bhd.. The acquisition did not have any material financial effect to the Group.

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A14. Capital Commitment

	As at 31 Mar 15 RM'000	As at 31 Dec 14 RM'000
Contracted but not provided for:		
- Land held for property development	16,400	17,154
- Freehold land held under development	<u>74,000</u>	<u>77,000</u>
	<u>90,400</u>	<u>94,154</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 31 Mar 15 RM'000	As at 31 Dec 14 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>106,749</u>	<u>135,796</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 RM105.39 million and profit after tax and non-controlling interests of RM6.11 million as compared to RM147.66 million and RM12.04 million respectively in preceding quarter ended 31 March 2014.

During the current year to date, construction segment recorded revenue of RM96.05 million (before eliminating inter-segment sales) while the property development segment registered revenue of RM27.41 million. The construction division continues to be the main revenue contributor to the Group, attributing 77.17% of the current quarter's revenue (before eliminating inter-segment sales).

The contribution from the construction division decreased 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 decreased in the current quarter under review as compared to the previous year's corresponding quarter due to lower sales and lower profit margin recognised from the residential property sale.

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 RM105.39 million and RM6.11 million as compared to RM122.03 million and RM11.63 million respectively reported in the immediate preceding quarter.

The Group profit before tax (%BT+) of RM7.86 million in the current quarter is lower as compared to the preceding quarter of RM27.87 million, mainly due lower revenue recorded for the current quarter from both divisions.

B3. Prospects

The Board of Directors are confident that the prospects of the Group in the second half of the financial year is very positive.

On 16 March 2015, the Group entered into a Joint Venture Agreement with Suria Capital Holdings Berhad (%Suria Capital+) for a mixed development in Kota Kinabalu, Sabah known as One Jesselton Waterfront. This land is part of the new Kota Kinabalu waterfront and is now one of the most prime land in Kota Kinabalu. The Group has agreed with Suria Capital that the development will have a minimum Net Sales Value (NSV) of RM1.1 billion but both parties will use their best endeavors to increase the NSV to RM1.8 billion. This project, will contribute both revenue and profits to both its Construction and Property Development division.

On another note, on 9 December 2014, the associate company of the Group, Kreatif Sinar Gabungan Sdn Bhd accepted the Letter of Intent (LOI) from the State Government of Pahang for the Proposed Development of Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) in Kuantan. The Group is expected to undertake a significant portion of the construction works for PPSAS once the project has been awarded by the State Government of Pahang.

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B3. Prospects (cont'd)

The Government of Malaysia has also highlighted in the 11th Malaysian Plan, that it targets to undertake major public sector projects such as the KVMRT Line 2, LRT Line 3, Pan-Borneo Highway, Kota Baru-Kuala Krai highway, Pengerang Integrated Complex (PIC) in Johor, building of new hospitals and a long list of other projects to be implemented. This will provide added stimulus to the construction industry as a whole and will benefit the Group as it is well positioned to participate in some of these projects.

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 3 months ended	
	31 Mar 15 RM'000	31 Mar 14 RM'000	31 Mar 15 RM'000	31 Mar 14 RM'000
Interest income	119	509	119	509
Other income	285	70	285	70
Interest expense (excluding interest capitalised)	(2,715)	(1,255)	(2,715)	(1,255)
Depreciation and amortisation	(2,803)	(889)	(2,803)	(889)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	(3)	(1)	(3)	(1)
Gain on disposal of property, plant and equipment	140	*	140	*
Gain on disposal of investment property	*	*	*	*
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 3 months ended		Cumulative Quarter 3 months ended	
	31 Mar 15 RM'000	31 Mar 14 RM'000	31 Mar 15 RM'000	31 Mar 14 RM'000
Current taxation				
- Current year	3,566	8,127	3,566	8,127
Deferred taxation				
- Current year	(836)	(924)	(836)	(924)
- Prior years	45	-	45	-
	(791)	(924)	(791)	(924)
	<u>2,775</u>	<u>7,203</u>	<u>2,775</u>	<u>7,203</u>

The Group effective tax rate for the current quarter and cumulative quarter of 35.29% and 28.45% is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

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B7. Status of Corporate Proposals Announced

There were no corporate proposals previously announced but not completed as at 15 May 2015.

B8. Group Borrowings and Debt Securities

	As at 31 Mar 15 RM'000	As at 31 Dec 14 RM'000
The Group's borrowings and debt securities are as follows:		
Long term borrowings		
Secured:		
Hire purchase creditors	12,509	11,765
Term loans	17,130	863
	<u>29,639</u>	<u>12,628</u>
Short term borrowings		
Secured:		
Bank overdrafts	89,517	98,716
Hire purchase creditors	9,585	6,896
Term loans	112,275	49,765
Revolving credit	5,400	5,400
	<u>216,777</u>	<u>160,777</u>

B9. Material Litigation

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

B10. Dividend

The Directors propose a final dividend by way of distribution of one (1) treasury share for every one hundred (100) existing ordinary shares of RM0.25 each held by the shareholders of the Company in respect of the financial year ended 31 December 2014, subject to the approval of the members at the forthcoming Annual General Meeting.

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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 3 months ended	
	31 Mar 15 RM'000	31 Mar 14 RM'000	31 Mar 15 RM'000	31 Mar 14 RM'000
Profit attributable to equity holders of the Company (RM'000)	6,107	12,042	6,107	12,042
Number of shares at the beginning of the year ('000)	388,445	354,703	388,445	354,703
Effect of Share Buy Back	(604)	-	(604)	-
Weighted average number of ordinary shares in issue (±000)	387,841	354,703	387,841	354,703
Basic earnings per share (sen)	1.57	3.39	1.57	3.39

(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 quarter under review. 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 Mar 15 RM'000	As at 31 Dec 14 RM'000
Total retained earnings for the Group:		
- Realised	232,433	227,786
- Unrealised	3,528	2,748
	235,961	230,534
Less: Consolidated adjustments	(77,019)	(77,699)
Total group retained earnings as per consolidated accounts	158,942	152,835

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 21 May 2015.