

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 2015. 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 2015.

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 2015, except for the following new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2016.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods beginning on or after 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
Amendments to FRS 127	Equity Method in Separate Financial Statements

b) FRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

Effective for financial periods beginning on or after 1 January 2018

FRS 9: Financial Instruments
 FRS 15 Revenue from Contracts with Customers

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 8 September 2015, MASB allowed Transitioning Entities to defer adoption of the MFRS framework to annual periods beginning on or after 1 January 2018. The Group falls within the scope of Transitioning Entities and has opted to defer the adoption of MFRS framework for the financial periods as allowed.

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.

A8. Dividend Paid

No dividend has been paid during the current quarter.

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

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.

3 months ended 31 March 2016	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	58,824	29,983	1,275	90,082
Inter segment revenue	(9,159)	-	(1,275)	(10,434)
Revenue from external customers	49,665	29,983	-	79,648
Interest income	86	20	2	108
Finance cost	(973)	(1,627)	(717)	(3,317)
Net finance expense	(887)	(1,607)	(715)	(3,209)
Segment (loss)/profit before taxation	(2,110)	6,973	(457)	4,406
Share of loss of an associate, net of tax	(52)	-	-	(52)
Share of loss of a joint venture, net of tax	-	-	(2)	(2)
Taxation	531	(2,332)	(19)	(1,820)
Other material non-cash item:				
- Depreciation	(2,831)	(140)	(102)	(3,073)
Additions to non-current assets other than financial instruments and deferred tax assets	373	347	623	1,343
Segment assets	656,478	628,476	330,384	1,615,338
Segment liabilities	480,463	606,276	115,832	1,202,571

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

A9. Segmental Information (Cont'd)

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)	(2,715)
Net finance expense	(1,023)	(1,598)	25	(2,596)
Segment profit/(loss) before taxation	2,734	6,295	(695)	8,334
Share of profit of an associate, net of tax	58	-	-	58
Share of loss of a joint venture, net of tax	-	-	(1)	(1)
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

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

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 March 16 RM'000	As at 31 March 15 RM'000
Revenue		
Total revenue for reportable segments	90,082	124,476
Elimination of inter-segmental revenues	(10,434)	(19,082)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>79,648</u>	<u>105,394</u>
Profit for the financial period		
Total loss or profit for reportable segments	4,406	8,334
Share of (loss)/profit of an associate, net of tax	(52)	58
Share of loss of a joint venture, net of tax	(2)	(1)
Elimination of consolidation adjustments	808	(529)
Profit before tax	5,160	7,862
Tax expense	(1,820)	(2,775)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>3,340</u>	<u>5,087</u>
	As at 31 March 16 RM'000	As at 31 March 15 RM'000
Assets		
Total assets for reportable segments	1,615,338	1,403,486
Elimination of investment in subsidiaries and consolidation adjustments	(91,554)	(76,716)
Elimination on inter-segment balances	(585,795)	(424,032)
Total assets of the Group per consolidated statement of financial position	<u>937,989</u>	<u>902,738</u>
Liabilities		
Total liabilities for reportable segments	1,202,571	975,815
Elimination of consolidation adjustments	1,794	1,794
Elimination on inter-segment balances	(592,148)	(420,006)
Total liabilities of the Group per consolidated statement of financial position	<u>612,217</u>	<u>557,603</u>

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

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 quarter.

A14. Capital Commitment

	As at 31 Mar 16 RM'000	As at 31 Dec 15 RM'000
Contracted but not provided for: - Freehold land held under development	<u>63,750</u>	<u>65,300</u>

A15. Contingent Liabilities

Details of contingent liabilities of the Group are as follows:

	As at 31 Mar 16 RM'000	As at 31 Dec 15 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>110,319</u>	<u>133,241</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 RM79.65 million and profit after tax and non-controlling interests of RM3.75 million as compared to RM105.39 million and RM6.11 million respectively in preceding year corresponding quarter ended 31 March 2015.

Construction segment:

This segment reported a lower revenue of RM58.82 million in 1Q2016 compared to RM96.05 million in the same preceding year corresponding quarter last year (before eliminating inter-segment sales). It recorded a pre-tax loss of RM2.11 million compared to pre-tax profit of RM2.73 million the previous year corresponding period.

The revenue was lower as there was higher work progress achieved in the preceding year corresponding quarter as compared to the current quarter. Further, some of the existing projects were completed and handover during the quarter under review as compared to the preceding year corresponding quarter. The lower revenue correspondingly resulted in lower overall performance for the construction division. The overall lower quarter result is not able to sustain the high recurring operating cost arising from depreciation and financing cost which had further eroded the bottom line results.

Property development segment:

This segment reported a higher revenue of RM29.98 million in 1Q2016 compared to RM27.41 million in the same preceding year corresponding quarter. It recorded a pre-tax profit of RM6.97 million compared to RM6.30 million the previous year corresponding period.

The revenue in current quarter is comparatively higher than the same quarter last year mainly due to higher number of sales achieved. The division has achieved a total sales value of RM31.52 million of residential and commercial properties namely from the Contours Courtyard Villas, The Peak Serviced Apartments and Permas Centro Shop Offices. The release of bumi unit in early 2016 also contributed to the sales of commercial properties, namely the Permas Centro. Comparatively during the preceding year corresponding quarter, the division has achieved a total sales value RM19.46 million of sales from The Peak and Permas Centro.

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 RM79.65 million and RM3.75 million as compared to RM46.89 million and RM0.51 million respectively reported in the immediate preceding quarter.

The Group profit before tax ("PBT") of RM5.16 million in the current quarter is higher as compared to the preceding quarter of RM0.64 million, mainly due higher revenue recorded for the current quarter from the property development division.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

B3. Prospects

The Group's property development projects currently have unbilled sales of sold units amounting to approximately RM125.69 million and unbilled sales in relation to unsold units amounting to approximately RM620.91 million.

On 5 May 2016, the Group, via its wholly-owned subsidiary, Gabungan Strategik Sdn Bhd ("GSSB") entered into a Joint Venture Agreement with Monolight IBS Building System Sdn Bhd ("Monolight") for the construction, development and completion of the development of PR1MA Homes together with all the necessary amenities, utilities, facilities and infrastructures in Kuala Kuantan, Pahang. The contract sum to the JV for the construction and completion of the Project is RM424.2 million. This project is expected to contribute positively to both revenue and profits for the Construction division in the financial year 2016.

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. In February 2016, the Group completed the traffic study which further enhances the development and received approval from the relevant authorities in mid April 2016. Based on this approval, Suria Capital has submitted an application for the land Title. The Title is expected to be issued soon and development activities will commence for this project. With this latest approval by the relevant authorities, the Group anticipates the Net Sales Value (NSV) for this project will be between RM1.7 billion to RM1.8 billion. This project is expected to contribute positively to both revenue and profits to both its Construction and Property Development division in first quarter of year 2017.

The Group's project on the Provision of Accommodation on Base-Camp Concept complete with necessary facilities for Petronas Chemicals Fertiliser Sabah Sdn Bhd ('PCFSB') in Sipitang, Sabah was completed and handed over in March 2016. This project will provide a recurring monthly income stream to the Group for 5 years with a renewal option for another 5 years by PCFSB, commencing in second quarter of year 2016.

On another note, the Group will soon be receiving the Letter of Award 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.

The Group has in the past 3 months participated vigorously in approximately RM3 billion worth of tender exercises. It has thus far successfully been pre-qualified and shortlisted to participate in the tender for the Bandar Utama-Klang Light Rail Transit (LRT) Line 3. The Group anticipates that tender for LRT Line 3 will be called in the third quarter of year 2016.

Meanwhile, the Group had on 6 April 2016 disposed a parcel of 7.977 acres land and the completion of the sale of land is anticipated to have a positive impact on the earnings, its earnings per share of the company and will also reduce the gearing of the company.

Since, securing its first PR1MA homes project in Gampang, the Group continues to vie for more opportunities to develop affordable housing in other states with potential multi-billion Ringgit gross development value (GDV).

The Group remains confident that with its enhanced construction order book and pipeline property development projects, it will be able to deliver satisfactory performance in the financial year 2016.

B4. Profit Forecast and Profit Estimate

The Group did not issue any profit forecast or profit estimate in any public document.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

B5. Items included in the Statements of Comprehensive Income include:

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 Mar 16	31 Mar 15	31 Mar 16	31 Mar 15
	RM'000	RM'000	RM'000	RM'000
Interest income	108	119	108	119
Other income	956	285	956	285
Interest expense (excluding interest capitalised)	(3,317)	(2,715)	(3,317)	(2,715)
Depreciation and amortisation	(3,073)	(2,803)	(3,073)	(2,803)
Provision for and write off of receivables	*	-	*	-
Provision for and write off of inventories	*	-	*	-
Property, plant and equipment written off	(1)	(3)	(1)	(3)
Gain on disposal of property, plant and equipment	1	140	1	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		Cumulative Quarter	
	3 months ended		3 months ended	
	31 Mar 16	31 Mar 15	31 Mar 16	31 Mar 15
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	2,663	3,566	2,663	3,566
Deferred taxation				
- Current year	(574)	(836)	(574)	(836)
- Prior years	(269)	45	(269)	45
	(843)	(791)	(843)	(791)
	<u>1,820</u>	<u>2,775</u>	<u>1,820</u>	<u>2,775</u>

The Group effective tax rate for the current quarter and cumulative quarter of 35.26% and 35.30% is higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

B7. Status of Corporate Proposals Announced

There were no corporate proposals previously announced but not completed as at 20 May 2016, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

B8. Group Borrowings and Debt Securities

	As at 31 Mar 16 RM'000	As at 31 Dec 15 RM'000
The Group's borrowings and debt securities are as follows:		
Long term borrowings		
Secured:		
Term loans	78,116	76,627
Hire purchase creditors	3,265	5,547
	<u>81,381</u>	<u>82,174</u>
Short term borrowings		
Secured:		
Term loans	118,592	110,690
Revolving credit	18,154	19,100
Hire purchase creditors	9,613	9,617
Bank overdrafts	61,075	72,307
	<u>207,434</u>	<u>211,714</u>

B9. Material Litigation

Saved as disclosed below, there is no other material litigation pending as at 20 May 2016, being a date not earlier than 7 days from the date of this report:-

- a) On 4 Feb 2016, Pembinaan Megah Ikhlas Sdn Bhd ("PMI") and Gabungan Strategik Sdn Bhd ("GSSB"), both subsidiaries of the Company, were served with a Writ of Summons and Statement of Claim by Profound Projects Sdn Bhd ("Profound"). Profound is claiming for a total cost of RM3.3 million for balance sum due for work done.

PMI denied the contention by Profound whereby Profound had executed and completed its work as per the Sub-Contract Agreement dated 21 January 2006. PMI had carried out the remaining construction work on behalf of Profound and had incurred a cost of RM3.4 million. In relation to this, PMI had issued Debit Notes and back-charged Profound in respect of the costs incurred. Consequently, PMI decided to pursue to claim back these costs incurred on behalf of Profound.

In accordance to the Letter of Guarantee dated 21 January 2006 signed, Profound shall indemnify PMI against all losses, damages, costs and expenses incurred by PMI in respect of default in the due performance of works. Besides, PMI reserves any rights to recover any amount by deduction from any money from Profound.

PMI and GSSB had submitted the application to strike out the Profound's claim on 20 April 2016. Based on the Case Management on 21 April 2016, the writ of summons dated 4 February 2016 has been cancelled by court due to non-disclosure of any reasonable cause of action. On 23 May 2016, Profound has filed a notice of withdrawal for the claim on GSSB. The next case management has yet to be decided by the court.

B9. Material Litigation (cont'd)

- b) On 18 November 2015, AQRS The Building Company Sdn. Bhd. ('AQRS'), a subsidiary of the Company, filed a lawsuit against Goodnite Sdn. Bhd. ('Goodnite') and demanded a sum of RM6.8 million, which comprised land costs paid and development costs amounted to RM5.6 million and RM1.2 million respectively.

AQRS had entered into a Sale and Purchase Agreement ("SPA") with Goodnite for the acquisition of leasehold land located at Sungai Lalang. The SPA entered into between Goodnite and AQRS was subject to the conditions precedent as the existing SPA entered into by Goodnite with another party (Merit Trading Sdn. Bhd. ("Merit")) dated 14 August 2014 be duly terminated and the withdrawal of the existing private caveat dated 18 August 2014.

The above conditions precedent had been fulfilled by Goodnite on 19 November 2014. However, subsequently on 30 April 2015, Merit had lodged a new caveat and demanded a compensation of RM4.5 million from Goodnite. AQRS had on 3 September 2015 decided to terminate this acquisition after Goodnite had failed to remove the new caveat lodged by Merit despite reminders being sent to them.

Goodnite has counterclaimed against AQRS for General Damages in excess of RM5.0 million. The Court has fixed the Suit for Case Management on 25 May 2016.

- c) On 28 April 2016, Gabungan Strategik Sdn Bhd ("GSSB"), a subsidiary of the Company, filed a lawsuit against Sanubari Cekal Sdn. Bhd. ('Sanubari') and demanded a sum of RM16.5 million, which to cover on the testing, design fees, rectification works, loss of profit and damages incurred and/or suffered by GSSB.

GSSB has awarded Sanubari as a sub-contractor for the construction and completion of bored piling work for the project of Tropicana Metropark on 1 April 2014. The lawsuit was filed against Sanubari for the failure and negligence in performing its duty to complete work awarded.

During the construction period, part of the bored pile constructed by Sanubari collapsed due to the length of the bored pile was under casted during the excavation work for the pile cap. Based on the rectification work on site, Sanubari has failed the pile driving analyzer ("PDA") method test. As a rectification for the defect work performed by Sanubari, GSSB had appointed third party contractors for the rectification works.

The suit was filed for case management on 28 April 2016. The Court has not fixed the date on this matter for further Case Management.

B10. Dividend

No dividend has been proposed by the Board of Directors for the current quarter ended 31 March 2016.

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

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 16 RM'000	31 Mar 15 RM'000	31 Mar 16 RM'000	31 Mar 15 RM'000
Profit attributable to equity holders of the Company (RM'000)	3,751	6,107	3,751	6,107
Number of shares at the beginning of the year ('000)	390,484	388,445	390,484	388,445
Effect of Share Buy Back	-	(604)	-	(604)
Weighted average number of ordinary shares in issue ('000)	390,484	387,841	390,484	387,841
Basic earnings per share (sen)	0.96	1.57	0.96	1.57

(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').

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2016

B12. Realised and Unrealised Retained Profits

	As at 31 Mar 16 RM'000	As at 31 Dec 15 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	216,115	214,157
- Unrealised	390	(453)
	<u>216,505</u>	<u>213,704</u>
Total share of retained earnings from an associate:		
- Realised	317	370
Total share of accumulated losses from a joint venture:		
- Realised	(12)	(11)
	<u>216,810</u>	<u>214,063</u>
Less : Consolidation adjustments	(74,725)	(75,729)
Total retained earnings	<u><u>142,085</u></u>	<u><u>138,334</u></u>

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 27 May 2016.