

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 2016. 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 2016.

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 2016, except as follows:

On 1 January 2017, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

1 January 2017

Amendment to FRS 12	Annual Improvements to FRSs 2014-2016 Cycle
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Adoption of the above standards and interpretations did not have any significant 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 2018

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions

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)

On 7 August 2013, the MASB issued another announcement that Transitioning Entities would only be required to adopt the MFRS framework for the annual periods beginning on or after 1 January 2015. Subsequently on the 2 September 2014 and 28 October 2015, MASB has further announced that Transitioning Entities shall be required to apply the Malaysian Financial Reporting Standards ("MFRS") Framework for annual periods beginning on or after 1 January 2017 and 1 January 2018 respectively.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. 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 earnings.

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.

As at the end of the current quarter, a total of 535,502 shares were held as treasury shares.

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 2017

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 2017	Construction RM'000	Property Development RM'000	Other RM'000	Total RM'000
Segment Revenue				
Total revenue	61,906	95,712	5,399	163,017
Inter segment revenue	(1,516)	-	(2,561)	(4,077)
Revenue from external customers	60,390	95,712	2,838	158,940
Interest income	48	24	54	126
Finance cost	(1,185)	(1,177)	(1,523)	(3,885)
Net finance expense	(1,137)	(1,153)	(1,469)	(3,759)
Segment profit before taxation	8,630	16,650	1,471	26,751
Share of loss of an associate, net of tax	(83)	-	-	(83)
Share of loss of a joint venture, net of tax	-	-	(40)	(40)
Taxation	(2,730)	(4,220)	(381)	(7,331)
Other material non-cash item:				
- Depreciation	(2,644)	(108)	(1,518)	(4,270)
Additions to non-current assets other than financial instruments and deferred tax assets	131	-	-	131
Segment assets	710,936	689,567	343,110	1,743,613
Segment liabilities	511,195	649,538	123,679	1,284,412

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

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 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 profit/(loss) 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 2017

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 Mar 17 RM'000	As at 31 Mar 16 RM'000
Revenue		
Total revenue for reportable segments	163,017	90,082
Elimination of inter-segmental revenues	(4,077)	(10,434)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>158,940</u>	<u>79,648</u>
Profit for the financial period		
Total profit for reportable segments	26,751	4,406
Share of loss of an associate, net of tax	(83)	(52)
Share of loss of a joint venture, net of tax	(40)	(2)
Elimination of consolidation adjustments	(776)	808
Profit before tax	25,852	5,160
Tax expense	(7,331)	(1,820)
Profit for the financial period of the Group per consolidated statement of profit or loss and other comprehensive income	<u>18,521</u>	<u>3,340</u>
	As at 31 Mar 17 RM'000	As at 31 Mar 16 RM'000
Assets		
Total assets for reportable segments	1,743,613	1,615,338
Elimination of investment in subsidiaries and consolidation adjustments	(92,686)	(91,554)
Elimination on inter-segment balances	(587,780)	(585,795)
Total assets of the Group per consolidated statement of financial position	<u>1,063,147</u>	<u>937,989</u>
Liabilities		
Total liabilities for reportable segments	1,284,412	1,202,571
Elimination of consolidation adjustments	(5,978)	1,794
Elimination on inter-segment balances	(584,432)	(592,148)
Total liabilities of the Group per consolidated statement of financial position	<u>694,002</u>	<u>612,217</u>

GABUNGAN AQRS BERHAD
 (Company No: 912527 - A)
 (Incorporated in Malaysia)
 Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

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 17 RM'000	As at 31 Dec 16 RM'000
Contracted but not provided for:		
- Freehold land held under development	<u>53,250</u>	<u>54,250</u>

A15. Contingent Liabilities

	As at 31 Mar 17 RM'000	As at 31 Dec 16 RM'000
Bank guarantees given by financial institutions in respect of construction and property projects	<u>129,315</u>	<u>97,995</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 and profit after taxation and non-controlling interests of RM158.94 million and RM16.14 million as compared to RM79.65 million and RM3.75 million respectively in preceding year corresponding quarter ended 31 March 2016.

Construction segment:

This segment reported a higher revenue of RM61.91 million in 1Q2017 compared to RM58.82 million in 1Q2016 (before eliminating inter-segment sales). It recorded a pre-tax profit of RM8.63 million in 1Q2017 compared to a loss of RM2.11 million in 1Q2016.

The revenue for the current quarter was mainly from the work progress for the Sungai Besi – Ulu Kelang (SUKEL) Highway, PR1MA Homes in Kuala Kuantan, Pahang and Pusat Pentadbiran Sultan Ahmad Shah (PPSAS). The higher pre-tax profit was mainly due improved operating margins from the ongoing projects.

Property development segment:

This segment reported a higher revenue of RM95.71 million in 1Q2017 compared to RM29.98 million in 1Q2016. It recorded a pre-tax profit of RM16.65 million in 1Q2017 compared to RM6.97 million in 1Q2016.

The higher revenue and profit in the current quarter was mainly due to sales of two pieces of land held under development. In addition to that, sales from the Courtyard Villas, 'The Contours' had further improved the contributions.

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 RM158.94 million and RM16.14 million as compared to RM86.07 million and RM7.40 million respectively reported in the immediate preceding quarter.

The Group profit before tax ("PBT") of RM25.85 million in the current quarter is higher as compared to the preceding quarter of RM13.51 million. The higher PBT in the current quarter was mainly due to the higher contribution from the work progress of the projects in the construction segment and from the sale of the two pieces of land in the property development segment.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

B3. Prospects

During the Financial Year 2016, the Group managed to increase the outstanding order book significantly to RM1.7 billion, excluding the Jesselton Waterfront project which is a growth of RM1.5 billion. The order book is expected to last the Group until the year 2020. Moving forward, the Group has successfully pre-qualified and is shortlisted to participate in the tender for the Light Rail Transit Line 3 (“LRT3”). We also hope to undertake works for the Pan Borneo Highway (“PBH”) project in Sabah.

Our associate company, SEDCO Precast, is poised to secure a significant order to supply pre-cast components for the PBH project since preference is expected to be given to Sabah-based company and in this case, SEDCO Precast is a 51% subsidiary of Sabah Economic Development Corporation. The land area in which SEDCO Precast operates on is approximately 18 acres and current utilised land area is only approximately 30% of the total land area which provides ample room for expansion as and when PBH project kicks off. SEDCO Precast is also certified by the Construction Industry Development Board (CIDB) to be an Industrialised Building System (IBS) manufacturer which reflects its capability in producing quality IBS and pre-cast concrete products.

The Group also intends to secure a portion of the civil and structure works in relation to the East Coast Rail Line (ECRL), given that it is currently actively involved in a construction project with the state Government of Pahang. Since the Group has successfully gained a strong footing in Pahang with the PPSAS project and the PR1MA Gambang project both totalling to approximated RM800 million, we expect more projects in Pahang in this segment.

Meanwhile, the Group's property development projects currently have unbilled sales of sold units amounting to approximately RM144.82 million and unbilled sales in relation to unsold units amounting to approximately RM590.51 million. On top of these figures, the Group plans to launch the One Jesselton Waterfront project in late 2017 and amongst others, SEDCO Precast will supply precast concrete building materials for project construction.

With the projects mentioned above, the Group has now established a strong presence in Pahang and Sabah. Both these states are expected to experience high growth rates in the next 3 years in light of the various Federal and State Government projects which are being implemented. The Group now has always been prudent in choice and selection of locations and emphasized on innovative designs and layout. Key factors that are taken into account at planning stage are the design, concept, location, accessibility and quality of the development. These have translated into good acceptance and take-up rates on most of the projects.

Meanwhile, as part of the Group's ongoing monetisation programme, it has disposed of selected pieces of land amounting to RM140.79 million to improve the Group's working capital position and to repay bank borrowings in line with the Group's de-gearing exercise to strengthen its financial footing. The inflow of funds from these land disposals will enable savings in loan financing costs estimated at RM4.64 million per annum.

The Group targets to further increase the Construction Order Book by another RM700 million to RM1 billion by the end of the Financial Year 2017. The current outstanding order book of RM1.7 billion with improving profit margins will continue to be reflected in healthy earnings of the Group's Construction Division throughout the Financial Year 2017.

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

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		3 months ended	
	31 Mar 17	31 Mar 16	31 Mar 17	31 Mar 16
	RM'000	RM'000	RM'000	RM'000
Interest income	126	108	126	108
Other income	297	956	297	956
Interest expense (excluding interest capitalised)	(3,885)	(3,317)	(3,885)	(3,317)
Depreciation and amortisation	(4,270)	(3,073)	(4,270)	(3,073)
Provision for and write off of receivables	*	*	*	*
Provision for and write off of inventories	*	*	*	*
Property, plant and equipment written off	-	(1)	-	(1)
Gain on disposal of property, plant and equipment	40	1	40	1
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 17	31 Mar 16	31 Mar 17	31 Mar 16
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	7,331	2,663	7,331	2,663
Deferred taxation				
- Current year	-	(574)	-	(574)
- Prior years	-	(269)	-	(269)
	-	(843)	-	(843)
	7,331	1,820	7,331	1,820

The Group effective tax rate for the cumulative quarter is higher than the statutory tax rate mainly due to non-allowable expenses for tax deduction and non-recognition of deferred tax assets of loss making subsidiaries.

The non-recognition deferred tax assets is only temporary and will be recognised and utilised against the taxable profits when the subsidiaries start to have taxable profits in the future, which will then results in lower effective tax rate.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

B7. Status of Corporate Proposals Announced

There were no corporate proposals previously announced but not completed as at 15 May 2017, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report.

B8. Group Borrowings and Debt Securities

	As at 31 Mar 17 RM'000	As at 31 Dec 16 RM'000
The Group's borrowings and debt securities are as follows:		
Long term borrowings		
Secured:		
Term loans	69,197	71,895
Hire purchase creditors	709	630
	<u>69,906</u>	<u>72,526</u>
Short term borrowings		
Secured:		
Term loans	139,230	143,245
Revolving credit	5,040	6,057
Hire purchase creditors	3,122	4,855
Bank overdrafts	85,101	41,732
	<u>232,493</u>	<u>195,890</u>

B9. Material Litigation

Saved as disclosed below, there is no other material litigation pending as at 15 May 2017, 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. On 23 May 2016, Profound withdrew its claim against GSSB.

The case was fixed for Mediation on 17 January 2017 whereby a settlement was reached between Profound and PMI. By consent and without admission as to liability and purely on an ex-gratia basis, a Consent Judgment was entered to reflect the said settlement.

GABUNGAN AQRS BERHAD

(Company No: 912527 - A)

(Incorporated in Malaysia)

Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

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 hearing for the case was fixed on 6 January 2017. With regards to the Striking Out Claim, the Judge dismissed the claim on 20 January 2017.

The court has now fixed the matter for case management on 1 August 2017.

B10. Dividend

No dividend has been proposed by the Board of Directors for the current quarter ended 31 March 2017.

B11. Earnings Per Share

- (a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period under review.

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 Mar 17	31 Mar 16	31 Mar 17	31 Mar 16
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders of the Company (RM'000)	16,142	3,751	16,142	3,751
Number of shares at the beginning of the year ('000)	390,384	390,484	390,384	390,484
Weighted average number of ordinary shares in issue ('000)	390,384	390,484	390,384	390,484
Basic earnings per share (sen)	4.13	0.96	4.13	0.96

GABUNGAN AQRS BERHAD
(Company No: 912527 - A)
(Incorporated in Malaysia)
Quarterly Unaudited Results of the Group for the 1st Quarter ended 31 March 2017

B11. Earnings Per Share (Cont'd)

(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 17 RM'000	As at 31 Dec 16 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	263,906	244,497
- Unrealised	<u>(1,621)</u>	<u>(1,622)</u>
	262,285	242,875
Total share of retained earnings from an associate:		
- Realised	121	204
Total share of accumulated losses from a joint venture:		
- Realised	<u>(70)</u>	<u>(30)</u>
	262,336	243,049
Less : Consolidation adjustments	<u>(85,228)</u>	<u>(82,083)</u>
Total retained earnings	<u>177,108</u>	<u>160,966</u>

B13. Authorisation for Issue

This interim financial report was authorised for issuance by the Board of Directors of the Company on 22 May 2017.