AWC BERHAD

(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 31/12/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2018 RM'000	CURRENT PERIOD TO DATE 31/12/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2018 RM'000
Revenue	14	79,617	85,947	168,406	154,439
Cost of sales		(63,615)	(60,016)	(126,846)	(107,240)
Gross profit		**16,002**	**25,931**	**41,560**	**47,199**
Other operating income		120	120	691	657
Other operating expenses		(13,347)	(13,951)	(27,302)	(26,715)
Profit from operations		**2,775**	**12,099**	**14,949**	**21,139**
Finance costs, net		(272)	(261)	(479)	(148)
Profit before taxation	**14**	**2,503**	**11,838**	**14,470**	**20,991**
Taxation	18	(1,699)	(2,555)	(4,755)	(4,424)
Profit after taxation for the financial period		**804**	**9,283**	**9,715**	**16,567**
Other comprehensive income:					
Foreign currency translation differences		(194)	53	(378)	1,093
Total comprehensive income for the financial period		**610**	**9,336**	**9,337**	**17,660**
Profit attributable to:					
Owners of the Company		363	7,004	7,035	13,075
Non-controlling interests		441	2,279	2,680	3,492
		804	**9,283**	**9,715**	**16,567**
Total comprehensive income attributable to:					
Owners of the Company		663	7,043	6,840	13,877
Non-controlling interests		(53)	2,293	2,497	3,783
		610	**9,336**	**9,337**	**17,660**
Basic earnings per share (sen)	**23**	**0.12**	**2.48**	**2.39**	**4.74**

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

	Note	(Unaudited) AS AT 31/12/2019 RM'000	(Audited) AS AT 30/6/2019 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		17,138	17,022
Investment properties		4,590	4,590
Investment in an associate		182	182
Intangible assets - others		1,044	1,044
Intangible assets - goodwill		55,462	55,462
Deferred tax assets	0	3,480	3,917
		81,896	**82,217**
CURRENT ASSETS			
Inventories		19,176	17,690
Tax recoverable		2,729	2,958
Other receivables		12,883	7,445
Trade receivables		94,814	122,925
Contract assets		54,737	67,950
Short term investment		33,742	11,514
Deposits with licensed banks, cash and bank balances		62,990	66,529
		281,071	**297,011**
TOTAL ASSETS		**362,967**	**379,228**
EQUITY AND LIABILITIES			
Equity			
Share capital		111,520	110,847
Treasury shares		(855)	(855)
Foreign exchange reserve		4,997	5,192
Revaluation reserve		4,024	4,024
Share option reserve		1,072	1,072
Retained profits		82,150	78,059
Equity attributable to owners of the Company		**202,908**	**198,339**
Non-controlling interests		47,587	47,050
Total Equity		**250,495**	**245,389**
NON-CURRENT LIABILITIES			
Other payables		353	353
Long term borrowings	20	14,169	16,309
Deferred tax liabilities		412	850
		14,934	**17,512**
CURRENT LIABILITIES			
Other payables		38,712	21,851
Trade payables		39,260	52,710
Employee benefits		813	773
Provision for taxation		1,814	1,578
Short term borrowings	20	15,818	23,358
Contract liabilities		1,121	16,057
		97,538	**116,327**
TOTAL LIABILITIES		**112,472**	**133,839**
TOTAL EQUITY AND LIABILITIES		**362,967**	**379,228**
NET ASSETS PER SHARE (SEN)		**68.8**	**67.7**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

	CURRENT PERIOD TO DATE 31/12/2019 RM'000	PREVIOUS PERIOD TO DATE 31/12/2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	14,470	20,991
Adjustments for:		
Allowance for impairment lossess on trade receivables	71	14
Allowance for slow moving inventories	85	66
Reversal of impairment on receivables	(15)	(11)
Depreciation of property, plant and equipment	1,485	1,432
Provision for end of service benefit	40	70
Gain on disposal of property, plant and equipment	(7)	(88)
Unrealised loss on foreign exchange	(179)	2
Finance expenses/(income),net	479	148
Operating profit before working capital changes	**16,429**	**22,624**
(Increase)/Decrease in inventories	(915)	4
Decrease/(Increase) in receivables	35,829	(17,612)
(Decrease)/Increase in payables	(11,618)	16,199
Cash generated from operations	**39,725**	**21,215**
Interest paid	(994)	(795)
Taxes paid	(4,289)	(4,043)
Net cash generated from operating activities	**34,442**	**16,377**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow from acquisition of subsidiaries	-	(13,044)
Purchase of short term investment	(22,228)	
Purchase of property, plant and equipment	(1,501)	(1,334)
Proceeds from disposals of property, plant and equipment	-	27
Increase of investment in subsidiaries by non-controlling interests	-	5,845
Interest received	515	647
Net cash used in investing activities	**(23,214)**	**(7,859)**
CASH FLOWS FOR FINANCING ACTIVITIES		
(Repayment)/Drawdown of revolving credit/term loans	(10,608)	29,124
Repayment of hire purchase and lease payables	(477)	(477)
Drawdown of trade loan	928	1,894
Proceed from exercise of employee share options	673	1,378
Dividends paid to owners	(2,944)	(1,420)
Dividends paid to non-controlling interest	(1,960)	-
Net cash (used in)/generated from financing activities	**(14,388)**	**30,499**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,160)**	**39,017**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**66,529**	**57,048**
Effects of exchange differences	(379)	973
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**62,990**	**97,038**
Cash and cash equivalents comprise:		
Cash and bank balances	46,171	65,206
Deposits with licensed bank	16,819	31,832
	62,990	**97,038**

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

	Share Capital	Treasury Shares	Foreign Exchange Reserves	Revaluation Reserves	Share Option Reserves	Distributable Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019									
At 1 July 2019	110,847	(855)	5,192	4,024	1,072	78,059	198,339	47,050	245,389
Other comprehensive income for the financial year	-	-	-	-	-	7,035	7,035	2,680	9,715
- Foreign currency translation reserve	-	-	(195)	-	-	-	(195)	(183)	(378)
Total comprehensive income for the financial year	-	-	(195)	-	-	7,035	6,840	2,497	9,337
Transaction with owners:	-								
- Exercise of employee share options	673	-	-	-	-	-	673	-	673
- Dividends paid on shares to owner of the company	-	-	-	-	-	(2,944)	(2,944)	-	(2,944)
- Dividends paid on shares to Non-controlling interest	-	-	-	-	-	-	-	(1,960)	(1,960)
At 31 December 2019	**111,520**	**(855)**	**4,997**	**4,024**	**1,072**	**82,150**	**202,908**	**47,587**	**250,495**
31 December 2018									
At 1 July 2018	94,841	(855)	4,414	4,024	1,510	59,772	163,706	36,033	199,739
Other comprehensive income for the financial year	-	-	-	-	-	13,075	13,075	3,492	16,567
- Foreign currency translation reserve	-	-	802	-	-	-	802	291	1,093
Total comprehensive income for the financial year	-	-	802	-	-	13,075	13,877	3,783	17,660
Transaction with owners:									
- Exercise of employee share options	1,378	-	-	-	-	-	1,378	-	1,378
- Issuance of shares for acquisition of a subsidiary	11,500	-	-	-	-	-	11,500	-	11,500
- Dividends paid on shares to owner of the Company	-	-	-	-	-	(1,420)	(1,420)	-	(1,420)
- Non controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	-	5,845	5,845
At 31 December 2018	**107,719**	**(855)**	**5,216**	**4,024**	**1,510**	**71,427**	**189,041**	**45,661**	**234,702**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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 financial year ended 30 June 2019.

Adoption of new MFRSs, amendments/Improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

1. BASIS OF PREPARATION (CONTINUED)

New MFRSs, amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective:

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC that have been issue, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial Instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#

1. BASIS OF PREPARATION (CONTINUED)

New MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective (Continued)

		Effective for financial periods beginning on or after
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

***** *Amendments to References to the Conceptual Framework in MFRS Standards*
 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 *Leases*

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as “rights-of-use” assets and their corresponding lease liabilities for the present value of future lease payments.

1. BASIS OF PREPARATION (CONTINUED)

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below (continued).

MFRS 16 *Leases (Continued)*

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

MFRS 17 *Insurance Contracts*

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. This standard is not applicable to the Group.

Amendments to MFRS 3 Business Combination and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

1. BASIS OF PREPARATION (CONTINUED)

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below (continued).

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

1. BASIS OF PREPARATION (CONTINUED)

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below (continued).

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

1. BASIS OF PREPARATION (CONTINUED)

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2019 was not subject to any audit qualification.

3. SEASONAL OR CYCLICAL FACTORS

The Group's business was not affected by any significant seasonal or cyclical factors during the current quarter under review.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

5. CHANGE IN ESTIMATES

There was no change in estimates of amounts reported in the prior financial year that have a material effect in the current quarter under review.

6. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter under review, except for the issuance of new AWC shares in line with the Group's Employee Share Option Scheme ("ESOS"), as follows:

i) 16,127,666 ordinary shares were issued at an exercise price of 33.6 sen per share; and
ii) 2,930,512 ordinary shares were issued at an exercise price of 42.3 sen per share; and
iii) 450,150 ordinary shares were issued at an exercise price of 72.3 sen per share; and
iv) 100,000 ordinary shares were issued at an exercise price of 75.1 sen per share

Options to subscribe for 9,404,952 ordinary shares remain unexercised.

6. DEBT AND EQUITY SECURITIES (CONTINUED)

Treasury Shares

The number of treasury shares held as at 31 December 2019 is as follows:-

	No. of shares	Amount
		RM
Balance of treasury shares as at 1 July 2019	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 31 December 2019	3,326,800	855,221

7. DIVIDENDS PAID

On 31 December 2019, the Company paid a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2019 (2018: 0.5 sen) amounting to approximately RM2.9m (2018: RM1.4m). Other than this, no dividend has been paid in the current quarter.

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 December 2019 is as follows:

	Investment Holding	Facilities Division	Engineering Division	Environment Division	Rail Division	Others Division	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,790	90,956	33,515	28,862	25,720	-	(13,437)	168,406
Profit/(Loss) before tax	1,296	10,491	(3,142)	2,081	5,804	(20)	(2,040)	14,470
Segment assets	149,030	149,038	72,553	90,520	39,808	14	(137,996)	362,967

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 31 December 2019 to the date of this report that have not been reflected in the financial statements for current financial period.

11. CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the current quarter under review.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at the date of this report.

13. COMMITMENTS

There were no material commitments which require disclosure in this report except for the following:

	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,054	1,285
Later than 1 year and not later than 2 years	411	456
Later than 2 years and not later than 5 years	35	155
	1,500	1,896

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. PERFORMANCE REVIEW BY SEGMENTS

Revenue	Current quarter ended 31 December 2019 RM'000	Preceding year corresponding quarter ended 31 December 2018 RM'000	Current period to-date ended 31 December 2019 RM'000	Preceding year corresponding year ended 31 December 2018 RM'000
Facilities	48,718	47,737	90,956	89,850
Environment	14,453	17,800	28,862	32,759
Engineering	16,637	19,155	33,515	37,303
Investment holdings	2,415	375	2,790	750
Rail	5,311	8,288	25,720	8,288
Total	87,534	93,355	181,843	168,950
Less: Elimination	(7,917)	(7,408)	(13,437)	(14,511)
Consolidated Total	**79,617**	**85,947**	**168,406**	**154,439**

Profit before tax	Current quarter ended 31 December 2019 RM'000	Preceding year corresponding quarter ended 31 December 2018 RM'000	Current period to-date ended 31 December 2019 RM'000	Preceding year corresponding year ended 31 December 2018 RM'000
Facilities	5,474	4,787	10,491	10,359
Environment	429	3,044	2,081	5,787
Engineering	(3,508)	1,305	(3,142)	2,506
Investment holdings	1,579	(398)	1,296	(727)
Rail	577	3,149	5,804	3,149
Others	(8)	(49)	(20)	(83)
Total	4,543	11,838	16,510	20,991
Less: Elimination	(2,040)	-	(2,040)	-
Consolidated Total	**2,503**	**11,838**	**14,470**	**20,991**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division

Quarter on Quarter ("QoQ")

Revenue for Q2/FY20 amounted to RM48.7m, compared to RM42.2m in Q1/FY20. The revenue increased by RM6.5m/15.4% was mainly attributable to new commercial projects during the current quarter under review.

Arising from the above as well as continued initiatives to improve operational costs, the division's PBT for Q2/FY20 increased to RM5.5m from RM5.0m in Q1/FY20.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q2/FY20 was marginally higher by RM0.98m/2.1% against preceding year corresponding quarter Q2/FY19.

The PBT had increased by RM0.7m/14.4% in the current quarter Q2/FY20 against preceding year's corresponding quarter Q2/FY19 which was weighed down by unbudgeted cost of RM1.3mil.

14.2 Environment Division

QoQ

The division's revenue for the current quarter under review was marginally higher at RM14.5m compared to the immediate preceding quarter Q1/FY20, at RM14.4m due largely to continued slower than expected progress from projects

PBT decreased by RM1.2m/-75.0% i.e from RM1.6m in Q1/FY20 to RM0.4m in Q2/FY20 as projects have not progressed into higher value milestones.

Current quarter vs preceding year corresponding quarter

The decrease in the revenue of RM3.3m/-18.5% for the current quarter under review Q2/FY20 against to preceding year corresponding quarter Q2/FY19 was attributable to continued slower than expected projects progress in Malaysia and Singapore during the quarter under review.

Consequent to the above as well as less than favorable projects milestones as explained above, PBT of the division decreased by RM2.6m/-85.9% in Q2/FY20 against preceding year corresponding quarter Q2/FY19.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division

QoQ

Revenue for Q2/FY20 amounted to RM16.6m compared to RM16.9m in Q1/FY20, a marginal decrease of RM0.3m/-1.8%. The decrease was mainly attributable to adverse project recognition by the Aircond segment but was mitigated by improved projects progress of the plumbing segment.

During the quarter under review, anticipated variation order values from projects undertaken by the Aircond segment had not materialized favorably. Additionally, the Aircond segment accounted for back charges from its projects in excess of RM0.5m. Consequent to the above, the division had reported a LBT of RM3.5m in Q2/FY20 against PBT of RM0.4m in Q1/FY20.

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM2.5m/-13.1% in the current quarter Q2/FY20 against preceding year corresponding quarter Q2/FY19 was mainly attributable to lower contribution from the Aircond segment, partly mitigated by improved project progress of the Plumbing segment.

Arising from the above and compounded by negative impacts of the Aircond segment as explained above, the division had recorded LBT of RM3.5m in Q2/FY20 against PBT of RM1.3m in preceding year corresponding quarter Q2/FY19.

14.4 Rail Division

QoQ

Revenue for Q2/FY20 was RM5.3m compared to RM20.4m in Q1/FY20, a significant decrease of RM15.1m/-74.0% which was attributable to slower than expected project progress and rescheduling of deliveries during the current quarter under review.

Correspondingly, PBT had also decreased by RM4.6m/-88.5% from RM5.2m in Q1/FY20 to RM0.6m in Q2/FY20.

Current quarter vs preceding year corresponding quarter

Revenue decreased by RM3.0m/-35.9% from RM8.3m in Q2/FY19 to RM5.3m in Q2/FY20 due to slower than expected project progress and rescheduling of deliveries during the current quarter under review.

Arising from the above and further weighed down by lower margin, the PBT has decreased by RM2.6m/-81.7% in Q2FY20 against Q2FY19.

15. COMMENTARY ON MATERIAL VARIATION IN REVENUE AND PROFIT BEFORE TAXATION AGAINST PRECEDING QUARTER

	Current quarter ended 31 December 2019	Preceding quarter ended 30 September 2019	Variance (Adverse)
	RM'000	RM'000	RM'000
Revenue	79,617	88,789	(9,172)
Profit before taxation and zakat	2,503	11,967	(9,464)

On a QoQ basis, the revenue decreased by RM9.2m/-10.4% was mainly attributable to lower revenue recorded by the rail division, as mentioned in the above.

PBT for the quarter under review had also decreased significantly by RM9.5m/-79.1% due to less than favorable issues arising from the Aircond segment of the Engineering and Rail divisions as highlighted in the segmental analysis above.

16. COMMENTARY ON PROSPECTS

Although there exist uncertainties arising from the current global economics situation and recent domestic matters, the Board remains cautiously optimistic of the Group's performance for the second half of the current financial year which will largely be underpinned by the Group's robust orderbook.

We set out below our analysis of prospects by Divisions:

16.1 Facilities Division

The Concession Agreement (CA) for the renewal of the maintenance concession for the Southern Region (Johor, Malacca, Negeri Sembilan) and Sarawak was signed in early March 2016. This contract is for 10 years, from 1.1.16 to 31.12.25. Initial rate p.a. is set at approximately RM52 mil for the first 5 years, with automatic increase to RM59m p.a. from year 6 to 10.

In addition, together with the new CA, we also signed a contract to undertake the Critical Asset Refurbishment Programme, or CARP, over the next seven years. Under this contract, we are to undertake the CARP over various locations, and based on predetermined timing/schedules. Under this CARP we are to be paid RM140m over ten years (the renewed concession period), equaling approximately RM1.16m monthly.

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.1 Facilities Division (Continued)

These two contracts significantly improve the Group's long-term prospects. We expect positive contribution to our revenue and profit performance from our CARP contract over the next several years.

Also, we currently undertake certain maintenance contracts in the commercial and healthcare segments where these contracts are generally for two to five year periods. We expect these contracts to continuing to contribute positively to our prospects.

16.2 Environment Division

The Environment Division has contracts on hand that will tide it over for the next three financial years. Prospects remain positive for this Division as we expect projects progress and recognition to improve over the coming quarters.

16.3 Engineering Division

Air conditioning segment

As projects undertaken by this segment have largely entered into Defects Liability Period (DLP) with no new tender/project participations, we do not expect further material negative contributions from this segment moving forward. Additionally, the Management has streamlined and rationalized the operational cost structure of this segment to be in line with serving out the existing projects which are now in DLP.

Plumbing segment

Projects undertaken by the segment are expected to continue recording decent progress and are expected to continue contributing positively over the next three financial years.

16.4 Rail Division

The acquisition of 60% in Trackwork & Supplies Sdn. Bhd. ("Trackwork") was completed in early October 2018. Under the terms of the acquisition, the sellers have provided a profit guarantee of RM8m and RM12m profit after tax for Trackwork's FYE 30 September 2018 and FYE 30 September 2019 respectively. The profit guarantee for the FYE 30 September 2018 was comfortably met.

Although some of the projects undertaken had been delayed due to design changes and renegotiations, the division actively explores new opportunities and products to be introduced to the domestic as well as regional markets.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 31 December 2019 RM'000	Period to date ended 31 December 2019 RM'000
Profit before taxation and zakat	2,503	14,470
Income tax expense for the year	(1,699)	(4,755)
Effective tax rate	67.9%	32.9%

The effective tax rate for the Group for period to date is higher than the statutory tax rate mainly due to loss contribution from the Engineering division's Aircond segment.

19. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed at the date of this report.

20. BORROWINGS

	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
Secured short-term borrowings:		
Term loan	3,402	1,939
Revolving credit	8,975	18,950
Trade loan	2,198	2,730
Finance lease payables	1,243	981
Total short-term borrowings	15,818	24,600
Secured long-term borrowings:		
Term loan	12,599	17,572
Finance lease payables	1,570	2,302
Total long-term borrowings	14,169	19,874
Total borrowings	29,987	44,474

All of the above borrowings are denominated in Ringgit Malaysia except for the trade loan is denominated in Singapore Dollar.

21. MATERIAL LITIGATION

There is no material litigation which may materially affect the Group for the current quarter under review.

22. PROPOSED DIVIDEND

The Board of Directors had proposed a first interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2020 (2019: Nil). Other than this, no dividend has been declared in the current quarter. The payment dates for this dividend will be announced in due course.

23. EARNINGS PER SHARE

The basic earnings per ordinary share of the Group is calculated based on the Group's net profit for the period attributable to owners of the Company over the weighted average number of ordinary shares in issue during the year, excluding treasury shares held by the Company as follows:

	Current quarter ended 31 December 2019	Period to date ended 31 December 2019
Profit attributable to owners of the Company (RM'000)	363	7,035
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	294,903	293,777
Basic earnings per share (sen)	0.12	2.39

There are no shares or other financial instruments in issue which have a dilutive effect on the earnings per share of the Group.

24. REALISED AND UNREALISED PROFITS

	As at 31 December 2019 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	180,455
- Unrealised	3,246
	183,701
Less: Consolidation adjustments	(101,551)
Total group retained profit as per consolidated accounts	82,150

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATEDSTATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 31 December 2019 is stated after charging / (crediting) the following items:

	Current quarter ended 31 December 2019 RM'000	Period to date ended 31 December 2019 RM'000
Interest income	(272)	(515)
Other income	(137)	(331)
Interest expense	544	994
Depreciation and amortization	729	1,485
Foreign exchange gain	17	(360)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 25 February 2020.