AWC BERHAD
(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2016 RM'000	CURRENT PERIOD TO DATE 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2016 RM'000
Revenue	14	68,353	75,639	134,557	142,761
Cost of sales		(51,601)	(53,382)	(100,923)	(100,396)
Gross profit		**16,752**	**22,257**	**33,634**	**42,365**
Other operating income		406	450	1,522	2,431
Other operating expenses		(10,479)	(13,110)	(20,376)	(25,346)
Profit from operations		**6,679**	**9,597**	**14,780**	**19,450**
Finance income/(costs), net		335	(243)	291	6
Profit before taxation	**14**	**7,014**	**9,354**	**15,071**	**19,456**
Taxation	18	(1,558)	(1,802)	(3,285)	(3,670)
Profit after taxation for the financial period		**5,456**	**7,552**	**11,786**	**15,786**
Other comprehensive income:					
Foreign currency translation differences		1,822	1,572	1,748	1,572
Total comprehensive income for the financial period		**7,278**	**9,124**	**13,534**	**17,358**
Profit attributable to:					
Owners of the Company		5,060	5,218	10,122	10,657
Non-controlling interests		396	2,334	1,664	5,129
		5,456	**7,552**	**11,786**	**15,786**
Total comprehensive income attributable to:					
Owners of the Company		4,298	5,887	9,374	12,178
Non-controlling interests		2,980	3,237	4,160	5,180
		7,278	**9,124**	**13,534**	**17,358**
Basic earnings per share (sen)	**23**	**1.88**	**2.01**	**3.81**	**4.11**

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

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 2017

	Note	(Unaudited) AS AT 31/12/2017 RM'000	(Audited) AS AT 30/6/2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,662	14,592
Investment properties		2,778	2,778
Intangible assets - goodwill		28,144	28,144
Deferred tax assets		995	1,042
		46,579	**46,556**
CURRENT ASSETS			
Inventories		16,885	18,050
Tax recoverable		2,905	3,398
Other receivables		11,878	21,797
Trade receivables		93,088	134,925
Deposits with licensed banks, cash and bank balances		82,397	67,691
		207,153	**245,861**
TOTAL ASSETS		**253,732**	**292,417**
EQUITY AND LIABILITIES			
Equity			
Share capital		92,813	91,115
Treasury shares		(855)	(855)
Foreign exchange reserve		5,124	5,872
Revaluation reserve		2,928	2,928
Share option reserve		2,018	2,018
Retained profits		50,291	40,169
Equity attributable to owners of the Company		**152,319**	**141,247**
Non-controlling interests		32,591	28,431
Total Equity		**184,910**	**169,678**
NON-CURRENT LIABILITIES			
Other payables		353	369
Provision for end of service benefit		508	487
Long term borrowings	20	2,598	2,147
Deferred tax liabilities		229	276
		3,688	**3,279**
CURRENT LIABILITIES			
Other payables		32,220	71,958
Trade payables		31,802	43,290
Provision for taxation		385	1,556
Short term borrowings	20	727	2,656
		65,134	**119,460**
TOTAL LIABILITIES		**68,822**	**122,739**
TOTAL EQUITY AND LIABILITIES		**253,732**	**292,417**
NET ASSETS PER SHARE (SEN)		**56.1**	**53.6**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

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 2017

	CURRENT YEAR TO DATE 31/12/2017 RM'000	PREVIOUS YEAR TO DATE 31/12/2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	15,071	19,456
Adjustments for:		
Amortisation of intangible assets	-	2,000
Provision for/(reversal of) impairment on receivables	(829)	(1,820)
Depreciation of property, plant and equipment	1,360	1,000
Provision for end of service benefit	20	-
Plant and equipment written off	-	2
(Reversal of)/provision for retirement benefit obligation	(16)	466
Gain on disposal of property, plant and equipment	(100)	(116)
Finance (income)/expense,net	(291)	(6)
Operating profit before working capital changes	**15,215**	**20,982**
Decrease in inventories	1,164	225
Decrease in receivable	55,527	16,062
(Decrease)/increase in payables	(51,226)	7,687
Cash generated from operations	**20,680**	**44,956**
Interest paid	(409)	(322)
Taxes paid	(3,964)	(3,211)
Net cash generated from operating activities	**16,307**	**41,423**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in amount owing by jointly controlled entity	-	(22)
Purchase of plant and equipment	(1,485)	(2,288)
Proceeds from disposals of plant and equipment	100	130
Net cash inflow from disposal of investment in jointly controlled entity	-	816
Interest received	700	328
Net cash used in investing activities	**(685)**	**(1,036)**
CASH FLOWS FOR FINANCING ACTIVITIES		
(Repayment)/drawdown of revolving credit/term loans	(1,478)	9,028
Proceed from exercise of employee share options	1,699	667
Net cash generated from financing activities	**221**	**9,695**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,843**	**50,082**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	**67,691**	**44,715**
Effects of exchange differences	(1,137)	1,557
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	**82,397**	**96,354**
Cash and cash equivalents comprise:		
Cash and bank balances	46,527	51,243
Deposits with licensed bank	35,870	45,111
	82,397	**96,354**

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

		-------------[Non - Distributable]-------------						Distributable			
	Share Capital	**Share Premium ***	**Treasury Shares**	**Foreign Exchange Reserves**	**Revaluation Reserves**	**Statutory Reserve**	**Share Option Reserves**	**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**	**RM'000**	**RM'000**
31 December 2017											
At 1 July 2017	91,115	-	(855)	5,872	2,928	-	2,018	40,169	141,247	28,431	169,678
Other comprehensive income for the financial year	-	-	-	-	-	-	-	10,122	10,122	1,664	11,786
-Foreign currency translation reserve	-	-	-	(748)	-	-	-	-	(748)	2,496	1,748
Total comprehensive income for the financial year	-	-	-	(748)	-	-	-	10,122	9,374	4,160	13,534
Transaction with owners:											
- Exercise of employee share options	1,698	-	-	-	-	-	-	-	1,698	-	1,698
- Dividend	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	**92,813**	**-**	**(855)**	**5,124**	**2,928**	**-**	**2,018**	**50,291**	**152,319**	**32,591**	**184,910**
31 December 2016											
At 1 July 2016	78,443	10,211	(855)	4,599	2,928	307	-	23,365	118,998	28,808	147,806
Total comprehensive income for the financial year	-	-	-	1,521	-	-	-	10,657	12,178	5,180	17,358
Transaction with owners:											
- Exercise of employee share options	580	87	-	-	-	-	-	-	667	-	667
- Disposal of investment in jointly controlled entity	-	-	-	-	-	(307)	-	-	(307)	-	(307)
- Dividend								(2,600)	(2,600)	-	(2,600)
At 31 December 2016	**79,023**	**10,298**	**(855)**	**6,120**	**2,928**	**-**	**-**	**31,422**	**128,936**	**33,988**	**162,924**

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 2017.

The accompanying notes are an integral part of this statement.

* The new Companies Act 2016 (the "Act") which came into operation on 31 January 2017 abolished the concept of par value of share capital. Consequently , the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 2017.

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 2017.

Significant Accounting Policies

No new accounting standards and interpretations (including the consequential amendments) have been adopted by the Group during the current financial period.

The Group has not applied in advance the following accounting standards, amendments to accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Shared-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date yet to be determined by the MASB
IC Interpretations 22 Foreign Currency Translation and Advance Consideration	1 January 2018
Amendments to MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014 – 2016)	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018

1. BASIS OF PREPARATION (CONTINUED)

Significant Accounting Policies (Continued)

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is currently assessing the financial impact of adopting MFRS 9.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impact of MFRS 15 until the Group performs a detailed review.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2017 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) 3,725,540 ordinary shares were issued at an exercise price of 33.6 sen per share; and
ii) 622,400 ordinary shares were issued at an exercise price of 42.3 sen per share

Options to subscribe for 12,965,048 ordinary shares remain unexercised.

Treasury Shares
The number of treasury shares held as at 31 December 2017 is as follows:-

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2017	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 31 December 2017	3,326,800	855,221

7. DIVIDENDS PAID

No dividend was paid in the current quarter.

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 December 2017 is as follows:

	Investment Holding	Facilities Division	Engineering Division	Environment Division	Others Division	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(2,310)	75,527	45,973	27,443	3	(12,079)	134,557
Segment profit/(loss)	(3,116)	9,559	1,780	3,907	(119)	3,060	15,071
Segment assets	96,711	98,606	70,456	80,006	94	(92,141)	253,732

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

On 6 February 2018, the Company has received the notice in writing from Messrs. Morison Anuarul Azizan Chew on their resignation as Auditors of the Company. The resignation was due to the administrative issues. Subsequently, the Board has nominated Messrs. Baker Tilly Monteiro Heng as the new Auditors of the Company for the financial year ending 30 June 2018 to fill the casual vacancy in the office of the resigned Auditors. Other than this, no material events subsequent to 31 December 2017 to the date of this report that have not been reflected in the financial statements for the current financial period.

11. CHANGES IN COMPOSITION OF THE GROUP

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

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 2017 RM'000	As at 30 June 2017 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,852	2,232
Later than 1 year and not later than 2 years	1,179	1,454
Later than 2 years and not later than 5 years	2.368	2,699
Later than 5 years	3,324	2,818
	8,723	9,203

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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 2017 RM'000	Current period to-date ended 31 December 2017 RM'000	Preceding year corresponding period ended 31 December 2016 RM'000	Variance for period-to-date Favorable / (adverse) RM'000
Facilities	39,998	75,527	68,421	7,106
Environment	12,348	27,443	33,589	(6,146)
Engineering	24,353	45,973	53,763	(7,790)
Investment holdings	(2,685)	(2,310)	3,750	(6,060)
Others	3	3	-	3
Total	74,017	146,636	159,523	(12,887)
Less: Elimination	(5,664)	(12,079)	(16,762)	4,683
Consolidated Total	68,353	134,557	142,761	(8,204)

Profit/(Loss) before tax	Current quarter ended 31 December 2017 RM'000	Current period to-date ended 31 December 2017 RM'000	Preceding year corresponding period ended 31 December 2016 RM'000	Variance for period-to-date Favorable / (adverse) RM'000
Facilities	4,701	9,559	1,983	7,576
Environment	1,016	3,907	12,449	(8,542)
Engineering	1,671	1,780	5,364	(3,584)
Investment holdings	(3,344)	(3,116)	2,685	(5,801)
Others	(89)	(119)	(24)	(95)
Total	3,955	12,011	22,457	(10,446)
Less: Elimination	3,059	3,060	(3,001)	6,061
Consolidated Total	7,014	15,071	19,456	(4,385)

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division

Quarter on Quarter ("QoQ")

Revenue for Q2/FY18 amounted to RM40.0m, compared to RM35.5m in Q1/FY18. The increase of RM4.5m/13% was mainly attributable to higher recognition from the Capital Asset Refurbishment Programme in the current quarter under review.

Without taking the elimination effect, the segment profit for Q2/FY18 amounted to RM4.7m, marginally lower compared to RM4.8m in Q1/FY18.

Year on Year ("YoY")

The revenue in Q2/FY18 increased by RM7.11m/10% as compared to Q2/FY17. The increase was mainly attributable to the commencement of four (4) new projects in Putrajaya as well as Capital Asset Refurbishment Programme.

Without taking the effect of elimination, the segment profit in Q2/FY18 of RM9.6m vs Q2/FY17 of RM2.0m, an increase of RM7.6m/>100%. The increase in profits was mainly due to improved revenue contributions, savings on mobilization costs incurred on the new contracts and cost restructurings. Additionally, the corresponding period of the previous financial year included costs for works undertaken in previous financial periods.

14.2 Environment Division

QoQ

Revenue for Q2/FY18 amounted to RM12.3m, compared to RM15.1m for Q1/FY18, a decrease of RM2.8m/19%. The decrease in Q2/FY18 was due to certain project delays experienced by the division since the immediate preceding quarter. Nonetheless, these delays are expected to catch up in the ensuing quarters and are not expected to have any detrimental financial impact on us.

Segment profit in Q2/FY18 amounted to RM1.0m, compared to RM2.9m in Q1/FY18, a decrease of RM1.9m/65%. The decrease in Q2/FY18 was consistent with the lower revenue recognition compounded by lower gross margins, as well as lower recovery of bad debts compared to Q1/FY18.

YoY

Revenue for Q2/FY18 of RM27.4m was lower than Q2/FY17 of RM33.6m, a decrease by RM6.2m/18%. This decrease was mainly attributable to delays experienced in some projects being undertaken. However, progress is expected to catch up in the ensuing quarters and the delays are not expected to have any detrimental financial impact on us.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.2 Environment Division (continued)

Segment profit for Q2/FY18 of RM3.9m vs RM12.4m in Q2/FY17, a decrease of RM8.5m/69%. This drop was due to the delivery of certain big-ticket items with higher gross margins in Q2/FY17 (resulting in stronger margins earned) as opposed to the project delays experienced in the Q2/FY18. This decrease was further exacerbated by a higher bad debt recovery in Q2/FY17 against that for Q2/FY18.

14.3 Engineering Division

QoQ

Revenue in Q2/FY18 amounted to RM24.3m compared to RM21.6m in Q1/FY18, an increase of RM2.7m/13%. This increase was due to better progress achieved in contracts undertaken in the current quarter (Q2/FY18) despite the delays experienced in the Q1/FY18 as well as the division supporting certain projects undertaken by the Facilities division.

Without taking the elimination effect, this division reported a segment profit of RM1.7m vs segment profit of RM0.2m in Q1/FY18, an increase of RM1.5m/>100%. As mentioned above, this was due to better progress achieved in the current quarter under review as compared to project delays in certain contracts experienced in the preceding quarter.

YoY

Without taking the elimination effect, the revenue in Q2/FY18 of RM46.0m vs RM53.8m in Q2/FY17, a decrease of RM7.8m/14%. This is due to the project delays experienced in the Q2/FY18.

Without taking the elimination effect, the division reported a segment profit for Q2/FY18 amounted to RM1.8m vs segment profit of RM5.4m in Q2/FY17, a decrease of RM3.6m/67%. As stated under QoQ, this was due to project delays in certain contracts in the Plumbing segment, as well as margin compressions experienced in the Air Cond segment. These delays are expected to catch up in the ensuing quarters and are not expected to have any detrimental financial impact on us.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

	Current quarter ended 31 December 2017	Preceding quarter ended 30 September 2017	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	68,353	66,204	2,149
Profit before taxation and zakat	7,014	8,057	(1,043)

On a QoQ basis, revenue increased by RM2.1m/3%. As stated in the Segmental Review, the increase in the revenue was mainly attributable to higher recognition of contribution from the Capital Asset Refurbishment Project by facilities division. However, the increase in revenue was mitigated by the decrease in the revenue of Environment division due to project delays experienced by the division since the preceding quarter. These delays are expected to catch up in the ensuing quarters, and not expected to have any detrimental financial impact on us.

Arising from the lower revenue and profit contribution by the Environment division due to the project delays as mentioned above, the Group's PBT in Q2/FY18 was impacted with a reduction of RM1.0m/13% when compared to the immediate preceding quarter.

16. COMMENTARY ON PROSPECTS

The Group's prospects remain strong. FY17 was a record-breaking year for our financial results and current results for FY18 have been encouraging.

This has been achieved on the back of a strong order book that encompasses all three divisions, as well as short term and long-term contracts (the Concession).

Various internal initiatives are in-progress, promoting greater inter-division communications and cooperation towards the goal of improving cross selling of the Group's products and services.

We expect the Group's strong financial performance to continue throughout the remaining quarters of the current financial year (FY18).

We set out below our analysis of prospects by Divisions:

Initial rate p.a. is set at approximately RM52 mil for the first 5 years, with automatic increase to RM59 mil p.a. from year 6 to 10.

16. COMMENTARY ON PROSPECTS (CONTINUED)

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.

In addition, together with the new CA, we also signed a contract to undertake the Critical Asset Refurbishment Programme, or CARP, over the next ten 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 RM140 mil over ten years (the renewed concession period), equaling approximately RM1.16 mil monthly.

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 or three year periods. We expect these contracts 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 two financial years. In this quarter we experienced project delays in certain contracts. They are expected to catch up in the ensuing quarters. Prospects remain good for this Division.

We have also recently secured several contracts which will contribute to the Environment Division's performance over the next two financial years.

16.3 Engineering Division

Air conditioning segment

The Capital 21 project is progressing well and is nearing completion. Variation Orders are expected to materialize and these will contribute positively to the financial performance and prospects for this Division.

Plumbing segment

The acquisition of our plumbing (Qudotech Sdn Bhd, "Qudotech") and rainwater harvesting (DD Techniche Sdn Bhd) businesses were completed in early October 2015 (Q2/FY16). Under the terms of the acquisition, the owners of these two companies provide a profit guarantee of RM3.9 mil profit after tax per year for FY2016 and FY2017. The profit guarantees for FY16 and FY17 were comfortably met.

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.3 Engineering Division (continued)

Plumbing Segment (continued)

In addition, and as previously announced, Qudotech has also secured the contract for the plumbing works in the KL118 (Warisan Merdeka) project (RM62 mil), for the MAS building refurbishment and construction (RM19 mil), Signature Tower in the Tun Razak Exchange (TRX) (RM18.1m), Media City (RM4.2m), and most recently for the 8 Conlay development which will house Kempinski Hotel and Serviced Apartments (RM32.6m).

Although some of these projects were delayed due to various factors beyond our control during the current period under review, these delays have since been overcome. The progress and implementation of these new contracts (in addition to contracts already on hand) are expected to keep us busy for the next three financial years, until end of 30 June 2020 at least.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 31 December 2017 RM'000	Period to date ended 31 December 2017 RM'000
Profit before taxation and zakat	7,014	15,071
Income tax expense for the period	(1,558)	(3,285)
Effective tax rate	22.2%	21.8%

The effective tax rate for the Group for period to date is lower than the statutory tax rate mainly due to foreign-source income generated from operations in Abu Dhabi, United Arab Emirates, the lower tax rates enjoyed by our Singapore subsidiaries and pioneer status tax incentive enjoyed by certain subsidiaries of the Group.

19. CORPORATE PROPOSALS

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

20. BORROWINGS

	As at 31 December 2017 RM'000	As at 30 June 2017 RM'000
Secured short-term borrowings:		
Term loan	100	16
Revolving credit	-	2,007
Finance lease payables	627	633
Total short-term borrowings	727	2,656
Secured long-term borrowings:		
Term loan	-	92
Finance lease payables	2,598	2,055
	2,598	2,147
Total borrowings	3,325	4,803

All of the above borrowings are denominated in Ringgit Malaysia.

21. MATERIAL LITIGATION

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

22. PROPOSED DIVIDEND

There was no interim dividend has been proposed for the quarter ended 31 December 2017.

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 period, excluding treasury shares held by the Company as follows:

	Current quarter ended 31 December 2017	Period to date ended 31 December 2017
Profit attributable to owners of the Company (RM'000)	5,060	10,122
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	268,937	265,388
Basic earnings per share (sen)	1.88	3.81

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 2017 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	117,727
- Unrealised	764
	118,491
Less: Consolidation adjustments	(68,200)
Total group retained profit as per consolidated accounts	50,291

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 31 December 2017 is stated after charging / (crediting) the following items:

	Current quarter ended 31 December 2017 RM'000	**Period to date ended 31 December 2017 RM'000**
Interest income	(478)	(700)
Other income*	(406)	(1,522)
Interest expense	143	409
Depreciation and amortization	674	1,360
Foreign exchange (gain)/loss	(67)	106

*This includes write back of trade receivables of approximately RM0.28 million recognized in the current quarter.

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 22 February 2018.