

AWC BERHAD

(Company No. 550098-A)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 30/09/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2017 RM'000	CURRENT PERIOD TO DATE 30/09/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2017 RM'000
Revenue	14	68,492	66,204	68,492	66,204
Cost of sales		(47,224)	(49,322)	(47,224)	(49,322)
Gross profit		21,268	16,882	21,268	16,882
Other operating income		536	1,117	536	1,117
Other operating expenses		(12,765)	(9,898)	(12,765)	(9,898)
Profit from operations		9,039	8,101	9,039	8,101
Finance income/(costs), net		114	(44)	114	(44)
Profit before taxation	14	9,153	8,057	9,153	8,057
Taxation	18	(1,869)	(1,727)	(1,869)	(1,727)
Profit after taxation for the financial period		7,284	6,330	7,284	6,330
Other comprehensive income:					
Foreign currency translation differences		1,040	(74)	1,040	(74)
Total comprehensive income for the financial period		8,324	6,256	8,324	6,256
Profit attributable to:					
Owners of the Company		6,071	5,063	6,071	5,063
Non-controlling interests		1,213	1,267	1,213	1,267
		7,284	6,330	7,284	6,330
Total comprehensive income attributable to:					
Owners of the Company		6,834	5,076	6,834	5,076
Non-controlling interests		1,490	1,180	1,490	1,180
		8,324	6,256	8,324	6,256
Basic earnings per share (sen)	23	2.25	1.91	2.25	1.91

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	30/09/2018	30/6/2018
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	15,943	15,477
Investment properties	4,510	4,510
Intangible assets - goodwill	28,144	28,144
Deferred tax assets	2,823	3,355
	51,420	51,486
CURRENT ASSETS		
Inventories	18,590	18,856
Tax recoverable	2,896	2,256
Other receivables	18,532	9,702
Trade receivables	104,411	82,205
Due from customer on contracts	51,683	54,556
Deposits with licensed banks, cash and bank balances	45,109	57,048
	241,220	224,623
TOTAL ASSETS	292,640	276,109
EQUITY AND LIABILITIES		
Equity		
Share capital	94,946	94,841
Treasury shares	(855)	(855)
Foreign exchange reserve	5,177	4,414
Revaluation reserve	4,024	4,024
Share option reserve	1,477	1,510
Retained profits	65,843	59,772
	170,612	163,706
Equity attributable to owners of the Company	170,612	163,706
Non-controlling interests	37,523	36,033
	208,135	199,739
NON-CURRENT LIABILITIES		
Other payables	352	353
Provision for end of service benefit	630	586
Long term borrowings	20 10,408	10,833
Deferred tax liabilities	89	622
	11,479	12,394
CURRENT LIABILITIES		
Other payables	20,721	20,367
Trade payables	40,355	39,988
Provision for taxation	600	240
Short term borrowings	20 11,276	2,623
Due to customers on contracts	73	758
	73,026	63,976
TOTAL LIABILITIES	84,505	76,370
TOTAL EQUITY AND LIABILITIES	292,640	276,109
NET ASSETS PER SHARE (SEN)	62.5	60.8

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

	CURRENT PERIOD TO DATE 30/09/2018 RM'000	PREVIOUS PERIOD TO DATE 30/09/2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	9,153	8,057
Adjustments for:		
Amortisation of intangible assets	-	999
Allowance for impairment losses on trade receivables	7	8
Allowance for slow moving inventories	15	-
Reversal of impairment on receivables	(5)	-
Depreciation of property, plant and equipment	659	686
Depreciation on investment properties	-	26
Provision for end of service benefit	43	17
Provision for retirement benefit obligation	-	24
Gain on disposal of property, plant and equipment	(160)	-
Unrealised gain on foreign exchange	(20)	-
Finance (income)/expense, net	(114)	44
Operating profit before working capital changes	9,578	9,861
Decrease in inventories	251	1,402
(Increase)/Decrease in receivables	(28,164)	15,903
Increase/(Decrease) in payables	295	(25,201)
Cash (used in)/generated from operations	(18,040)	1,965
Interest paid	(195)	(266)
Taxes paid	(2,148)	(1,939)
Net cash used in operating activities	(20,383)	(240)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,029)	(123)
Proceeds from disposals of property, plant and equipment	132	-
Interest received	309	222
Net cash used in investing activities	(588)	99
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown/(repayment) of revolving credit/term loans	6,163	(175)
Repayment of hire purchase and lease payables	(239)	-
Drawdown of trade loan	2,065	-
Proceed from exercise of employee share options	72	201
Net cash generated from financing activities	8,061	26
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,910)	(115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	57,048	67,691
Effects of exchange differences	971	(60)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	45,109	67,516
Cash and cash equivalents comprise:		
Cash and bank balances	25,285	27,410
Deposits with licensed bank	19,824	40,106
	45,109	67,516

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2018.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2018

	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
30 Sept 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	-	-	-	-	-	6,071	6,071	1,213	7,284
- Foreign currency translation reserve	-	-	763	-	-	-	763	277	1,040
Total comprehensive income for the financial year	-	-	763	-	-	6,071	6,834	1,490	8,324
Transaction with owners:									
- Exercise of employee share options	105	-	-	-	-	-	105	-	105
- Share options lapsed	-	-	-	-	(33)	-	(33)	-	(33)
- Dividend	-	-	-	-	-	-	-	-	-
- Revaluation reserve	-	-	-	-	-	-	-	-	-
At 30 Sept 2018	94,946	(855)	5,177	4,024	1,477	65,843	170,612	37,523	208,135
30 September 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	-	-	-	-	-	5,063	5,063	1,267	6,330
- Foreign currency translation reserve	-	-	13	-	-	-	13	(87)	(74)
Total comprehensive income for the financial year	-	-	13	-	-	5,063	5,076	1,180	6,256
Transaction with owners:									
- Exercise of employee share options	200	-	-	-	-	-	200	-	200
- Value of employees' services pursuant to ESOS	-	-	-	-	-	-	-	-	-
- Disposal of investment in jointly controlled entity	-	-	-	-	-	-	-	-	-
- Dividend	-	-	-	-	-	-	-	-	-
At 30 September 2017	91,315	(855)	5,885	2,928	2,018	45,232	146,523	29,611	176,134

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 2018.

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 2018.

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 2018.

Adoption of Amendments/Improvements to MFRSs

The Group adopted the following amendments/improvements to MFRSs:

<u>Amendments/Improvements to MFRSs</u>	
MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

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

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective:

**Effective
for financial
periods
beginning
on or after**

<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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)

The Group and the Company have not adopted the following 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
<u>Amendments/Improvements to MFRSs(continued)</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The following are brief discussion on the three new MFRSs which may be relevant to the Group:

MFRS 9 *Financial Instruments*

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments. In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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)

The following are brief discussion on the three new MFRSs which may be relevant to the Group (continued.):

MFRS 9 *Financial Instruments (Continued)*

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 *Revenue from Contracts with Customers*

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- i. identify the contracts with a customer;
- ii. identify the performance obligation in the contract;
- iii. determine the transaction price;
- iv. allocate the transaction price to the performance obligations in the contract;
- v. recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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)

The following are brief discussion on the three new MFRSs which may be relevant to the Group (continued.):

MFRS 15 Revenue from Contracts with Customers (Continued)

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

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.

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 2018 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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) 11,436,336 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 2,192,112 ordinary shares were issued at an exercise price of 42.3 sen per share

Options to subscribe for 17,669,332 ordinary shares remain unexercised.

Treasury Shares

The number of treasury shares held as at 30 September 2018 is as follows:-

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2018	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 30 September 2018	<u>3,326,800</u>	<u>855,221</u>

7. DIVIDENDS PAID

No dividend has been paid in the current quarter under review (2018: Nil).

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

8. SEGMENTAL INFORMATION

The segment information for the current period ended 30 September 2018 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	375	42,114	18,147	14,959	-	(7,103)	68,492
Profit before tax	(328)	5,571	1,201	2,743	(34)	-	9,153
Segment assets	122,694	128,172	77,337	91,098	90	(125,751)	293,640

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

Acquisition of Trackwork & Supplies Sdn Bhd

On 28 February 2018, the Company had announced its proposal to acquire 60% equity interest in Trackwork & Supplies Sdn Bhd ("Trackwork") for a total purchase consideration of RM43,500,000. In conjunction with the proposed acquisition, the Company proposes to undertake a proposed diversification of the principal activities of AWC and its subsidiaries to include rail related works. Arising from a notification of a demand letter from a customer claiming that some of the machines supplied by them are defective and is therefore claiming a sum of RM19,002,815.74 comprising, inter-alia, liquidated agreed damages, cost of rental and expenses for replacement machines, the Company had on 12 June 2018 mutually agreed to a further extension to the Cut-Off Date by three (3) months from 27 June 2018 until 26 September 2018 to satisfy the Conditions set out in the SSA. On 26 July 2018, the Company and the Sellers had entered into a supplemental share sale agreement ("Supplemental Agreement") for the purpose of supplementing and amending the provisions in the SSA, subject to and upon the terms and provisions contained in the Supplemental Agreement. The entire acquisition exercise was completed on 9 October 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

10. SIGNIFICANT AND SUBSEQUENT EVENT (CONTINUED)

Issuance of free Warrants

On 27 September 2018, the Company had announced a proposed issuance of free Warrants in the Company on the basis of one (1) Warrant for every five (5) existing AWC Shares (“Issuance of Free Warrants”) held on an entitlement date to be fixed at a later date.

On 2 November 2018, Bursa Malaysia Securities Berhad had vide their letter of the same date approved Issuance of Free Warrants.

The Issuance of Free Warrants has been approved by the shareholders of AWC at the Extraordinary General Meeting held on 27 November 2018.

No material events subsequent to 30 September 2018 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.

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 30 September 2018 RM'000	As at 30 September 2017 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,443	1,822
Later than 1 year and not later than 2 years	489	775
Later than 2 years and not later than 5 years	101	1,951
	<u>2,033</u>	<u>4,548</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding period ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Facilities	42,114	35,529	42,114	35,529
Environment	14,959	15,094	14,959	15,094
Engineering	18,147	21,620	18,147	21,620
Investment holdings	375	375	375	375
Others	-	-	-	-
Total	75,595	72,618	75,595	72,618
Less: Elimination	(7,103)	(6,414)	(7,103)	(6,414)
Consolidated Total	68,492	66,204	68,492	66,204

Profit before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding period ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Facilities	5,571	4,857	5,571	4,857
Environment	2,743	2,892	2,743	2,892
Engineering	1,201	110	1,201	110
Investment holdings	(328)	228	(328)	228
Others	(34)	(30)	(34)	(30)
Total	9,153	8,057	9,153	8,057
Less: Elimination	-	-	-	-
Consolidated Total	9,153	8,057	9,153	8,057

14.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q1/FY19 amounted to RM42.1m, compared to RM60.9m in Q4/FY18. The decrease of RM18.8m/-31% was mainly attributable to higher recognition from the Capital Asset Refurbishment Programme in the preceding quarter.

Nevertheless, the segment’s PBT for Q1/FY19 increased slightly to RM5.6m from RM4.9m in Q4/FY18 attributable to better cost efficiencies during the quarter under review.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division (continued)

Current quarter vs preceding year corresponding quarter

The revenue in current quarter Q1/FY19 increased by RM6.6m/18.5% as compared to preceding year corresponding quarter Q1/FY18. This was attributable to the (4) new projects in Putrajaya as well as Capital Asset Refurbishment Programme in the current quarter under review.

In line with the higher revenue as above, the segment recorded an increase in PBT for the current quarter Q1/FY19 vs preceding year corresponding quarter Q1/FY18 by RM0.71m/14.7%.

14.2 Environment Division

QoQ

Revenue for Q1/FY19 amounted to RM15.0m, compared to RM16.7m for Q4/FY18, a decrease of RM1.0m/-10.2%. The decrease was due to lower progress recognition from on-going projects.

Consequent to the above, PBT in Q1/FY19 amounted to RM2.7m, compared to RM4.1m in Q4/FY18, a decrease of RM1.4m/-34.1%. The lower gross margin during the quarter under review further weighed on the PBT.

Current quarter vs preceding year corresponding quarter

Slight decrease in the revenue of RM0.14m/-0.9% for the current quarter under review Q1/FY19 as compared to preceding year corresponding quarter Q1/FY18.

PBT of the division also decreased slightly by RM0.15m/-5.2% in current quarter Q1/FY19 against preceding year corresponding quarter Q1/FY18. The decrease was attributable to lower revenue as well as lower recovery of bad debts during the current quarter under review (Q119:RM5k vs Q118:RM550k).

14.3 Engineering Division

QoQ

Revenue in Q1/FY19 amounted to RM18.1m compared to RM28.7m in Q4/FY18, a decrease of RM10.6m/-37.0%. The decrease was mainly due to the continued delays in projects undertaken by the plumbing segment.

Despite the above, the division reported a PBT of RM1.2m vs LBT of RM0.6m in Q4/FY18, an increase of RM1.8m/>100%, which was primarily attributable to

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division (continued)

provisions made on trade receivables as well as slow moving stock of RM1.48m and RM0.2m respectively in the preceding quarter Q4/FY18.

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM3.5m/-16.1% in the current quarter Q1/FY19 against preceding year corresponding quarter Q1/FY18 mainly attributable by the project delays experienced by the division especially by the Plumbing segment.

Despite the lower revenue, the PBT increased by RM1.1m/>100% in current quarter Q1/FY19 against preceding year corresponding quarter Q1/FY18 mainly due to the lower operating costs incurred in the current quarter under review.

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

	Current quarter ended 30 September 2018	Preceding quarter ended 30 June 2018	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	<u>68,492</u>	<u>94,155</u>	<u>(25,663)</u>
Profit before taxation and zakat	<u>9,153</u>	<u>7,193</u>	<u>1,960</u>

On a QoQ basis, revenue decreased by RM25.7m/-27.2%. As stated in the Segmental Review, the decrease in the revenue was mainly attributable to higher recognition of contribution from the Capital Asset Refurbishment Project by facilities division in the immediate preceding quarter and continued delays in projects undertaken by the engineering division during the quarter under review.

Nonetheless, despite the lower revenue recorded, the PBT increased by RM2.0m/27.2% due to a myriad of factors as explained in the segmental notes.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

16. COMMENTARY ON PROSPECTS

Buoyed by a commendable performance during the first quarter of the current financial year, the Board remains optimistic of the Group's financial performance. This is underpinned by the Group's strong orderbook balance which will keep it busy over the next few financial years as well as contribution from Trackwork.

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 RM59 mil 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 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 to five year periods. We expect these contracts to continue 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.

16.3 Engineering Division

Air conditioning segment

The Capital 21 project is progressing and is nearing completion. While inter segment revenue with facilities division is expected to continue contributing positively to the financial performance and prospects for the Division, the Management is reviewing this segment's operations for possible restructuring.

Plumbing segment

Despite the continuing slow progress by the main contractors in projects undertaken by the segment, the projects remain on-track and we are hopeful in catching up in the ensuing quarters.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 30 September 2018 RM'000	Period to date ended 30 September 2018 RM'000
Profit before taxation and zakat	9,153	9,153
Income tax expense for the year	(1,869)	(1,869)
Effective tax rate	20.4%	20.4%

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 and the lower tax rates enjoyed by our Singapore subsidiaries.

19. CORPORATE PROPOSALS

On 27 September 2018, the Company had announced a proposed issuance of free Warrants in the Company on the basis of one (1) Warrant for every five (5) existing AWC Shares held on an entitlement date to be fixed at a later date .

On 2 November 2018, Bursa Malaysia Securities Berhad had vide their letter of the same date approved the Issuance of Free Warrants.

The Issuance of Free Warrants has been approved by the shareholders of AWC at the Extraordinary General Meeting of the Company held on 27 November 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

20. BORROWINGS

	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Secured short-term borrowings:		
Term loan	1,515	-
Revolving credit	6,000	2,007
Trade loan	2,901	-
Finance lease payables	860	672
Total short-term borrowings	11,276	2,679
Secured long-term borrowings:		
Term loan	8,095	-
Finance lease payables	2,313	1,949
Total long-term borrowings	10,408	1,949
Total borrowings	21,684	4,628

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

21. MATERIAL LITIGATION

Qudotech Sdn Bhd ("**Qudotech**"), a wholly-owned subsidiary, had on 20 September 2018, through its solicitors, filed a writ and statement of claim against BUCG (M) Sdn Bhd ("**BUCG**") claiming for an approximate sum of RM2,064,249.25 against BUCG ("**Claim**"). The Claim is in relation to the unpaid balance of the contract sum owed by BUCG under the letter of award dated 14 November 2012 awarded by BUCG to Qudotech for the whole plumbing services installation works for a block of serviced apartment and a 55-storey hotel at Jalan Conlay known as Banyantree Signatures Kuala Lumpur.

The Kuala Lumpur High Court ("**Court**") had on 11 October 2018 given the following directions to the parties:

- (a) BUCG is to file its statement of defence and counter claim by 30 October 2018;
- (b) Qudotech is to file its reply to the defence and defence to counter claim by 22 November 2018; and
- (c) BUCG is to file its reply to Qudotech's defence by 7 December 2018.

BUCG had on 30 October 2018 filed its statement of defence and counter claim. The Court has fixed the next case management on 14 December 2018. The solicitors of Qudotech is of the opinion that Qudotech has a good chance of success in the Claim and to defeat BUCG's counter claim.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

22. PROPOSED DIVIDEND

The Board of Directors has proposed a first and final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2018. The proposed dividend has been approved by the shareholders at the Seventeenth Annual General Meeting of the Company held on 27 November 2018 and will be paid on 28 December 2018 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 13 December 2018.

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 30 September 2018	Period to date ended 30 September 2018
Profit attributable to owners of the Company (RM'000)	6,071	6,071
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	269,566	269,566
Basic earnings per share (sen)	<u>2.25</u>	<u>2.25</u>

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 30 September 2018 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	155,592
- Unrealised	<u>2,754</u>
	158,346
Less: Consolidation adjustments	<u>(92,503)</u>
Total group retained profit as per consolidated accounts	<u>65,843</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 30 September 2018 is stated after charging / (crediting) the following items:

	Current quarter ended 30 September 2018 RM'000	Period to date ended 30 September 2018 RM'000
Interest income	(309)	(309)
Other income	(150)	(150)
Interest expense	195	195
Depreciation and amortization	659	659
Foreign exchange gain	(386)	(386)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 27 November 2018.