

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 30/09/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2019 RM'000	CURRENT PERIOD TO DATE 30/09/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2019 RM'000
Revenue	13	76,021	88,789	76,021	88,789
Cost of sales		(56,117)	(63,231)	(56,117)	(63,231)
Gross profit		19,904	25,558	19,904	25,558
Other operating income		1,759	572	1,759	572
Other operating expenses		(11,993)	(13,955)	(11,993)	(13,955)
Profit from operations		9,670	12,175	9,670	12,175
Finance income/(cost), net		3	(208)	3	(208)
Profit before taxation	13	9,673	11,967	9,673	11,967
Taxation	17	(1,583)	(3,056)	(1,583)	(3,056)
Profit after taxation for the financial period		8,090	8,911	8,090	8,911
Other comprehensive income:					
Foreign currency translation differences		(883)	(184)	(883)	(184)
Total comprehensive income for the financial period		7,207	8,727	7,207	8,727
Profit attributable to:					
Owners of the Company		5,627	6,672	5,627	6,672
Non-controlling interests		2,463	2,239	2,463	2,239
		8,090	8,911	8,090	8,911
Total comprehensive income attributable to:					
Owners of the Company		4,856	6,177	4,856	6,177
Non-controlling interests		2,351	2,550	2,351	2,550
		7,207	8,727	7,207	8,727
Basic earnings per share (sen)	22	1.91	2.28	1.91	2.28

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	30/09/2020	30/6/2020
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	11,814	12,235
Investment properties	7,112	5,190
Investment in an associate	157	157
Intangible assets - goodwill	41,711	41,711
Deferred tax assets	1,799	2,774
Right of use assets	4,986	5,309
	67,579	67,376
CURRENT ASSETS		
Inventories	26,256	26,986
Tax recoverable	5,036	4,224
Other receivables	7,500	8,542
Trade receivables	102,940	101,363
Contract assets	51,944	59,026
Short term investment	13,010	18,940
Deposits with licensed banks, cash and bank balances	83,726	67,720
	290,412	286,801
TOTAL ASSETS	357,991	354,177
EQUITY AND LIABILITIES		
Equity		
Share capital	112,302	112,264
Treasury shares	(1,287)	(1,287)
Foreign exchange reserve	4,745	5,516
Revaluation reserve	4,024	4,024
Share option reserve	670	670
Retained profits	60,867	55,240
Equity attributable to owners of the Company	181,321	176,427
Non-controlling interests	48,023	45,672
Total Equity	229,344	222,099
NON-CURRENT LIABILITIES		
Other payables	353	353
Long term borrowings	19 17,773	19,135
Deferred tax liabilities	191	982
Lease liabilities	2,295	2,010
	20,612	22,480
CURRENT LIABILITIES		
Other payables	35,921	24,225
Trade payables	48,789	56,466
Employee benefits	890	893
Provision for taxation	1,158	1,293
Short term borrowings	19 10,207	11,637
Contract liabilities	9,632	12,723
Lease liabilities	1,438	2,361
	108,035	109,598
TOTAL LIABILITIES	128,647	132,078
TOTAL EQUITY AND LIABILITIES	357,991	354,177
NET ASSETS PER SHARE (SEN)	61.5	59.8

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

	CURRENT PERIOD TO DATE 30/09/2020 RM'000	PREVIOUS PERIOD TO DATE 30/09/2019 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	9,673	11,967
Adjustments for:		
Allowance for impairment losses on trade receivables	106	19
Allowance for slow moving inventories	-	41
Reversal of impairment on receivables	(890)	(10)
Depreciation of property, plant and equipment	541	756
Depreciation of right of use asset	440	-
(Reversal)/Provision for end of service benefit	(3)	35
Unrealised (gain)/loss on foreign exchange	(19)	45
Finance (income)/expenses, net	(3)	208
Operating profit before working capital changes	9,845	13,061
Decrease in inventories	731	1,256
Decrease/(Increase) in receivables	7,330	(715)
Increase/(decrease) in payables	960	(8,389)
Cash generated from operations	18,866	5,213
Interest paid	(469)	(451)
Taxes paid	(2,345)	(2,351)
Net cash generated from operating activities	16,052	2,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short term investment	5,930	(9,578)
Purchase of property, plant and equipment	(255)	(340)
Proceeds from disposals of property, plant and equipment	-	6
Acquisition of investment property via contra	(1,922)	-
Interest received	472	243
Net cash generated from/(used in) investing activities	4,225	(9,669)
CASH FLOWS FOR FINANCING ACTIVITIES		
(Repayment)/Drawdown of revolving credit/term loans	(4,887)	(2,891)
Repayment of hire purchase and lease payables	(637)	(238)
Drawdown of trade loan	2,094	(98)
Proceed from exercise of employee share options	38	95
Net cash used in financing activities	(3,392)	(3,132)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,885	(10,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	67,720	66,529
Effects of exchange differences	(879)	(181)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	83,726	55,958
Cash and cash equivalents comprise:		
Cash and bank balances	53,218	32,435
Deposits with licensed bank	30,508	23,523
	83,726	55,958

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

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 2020

	Share Capital RM'000	Treasury Shares RM'000	Foreign Exchange Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
30 September 2010									
At 1 July 2020	112,264	(1,287)	5,516	4,024	670	55,240	176,427	45,672	222,099
Repurchase of treasury shares	-	-	-	-	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	5,627	5,627	2,463	8,090
- Foreign currency translation reserve	-	-	(771)	-	-	-	(771)	(112)	(883)
Total comprehensive income for the financial year	-	-	(771)	-	-	5,627	4,856	2,351	7,207
Transaction with owners:									
- Exercise of employee share options	38	-	-	-	-	-	38	-	38
At 30 September 2020	112,302	(1,287)	4,745	4,024	670	60,867	181,321	48,023	229,344
30 September 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	-	-	-	-	-	6,672	6,672	2,239	8,911
- Foreign currency translation reserve	-	-	(495)	-	-	-	(495)	311	(184)
Total comprehensive income for the financial year	-	-	(495)	-	-	6,672	6,177	2,550	8,727
Transaction with owners:									
- Exercise of employee share options	96	-	-	-	-	-	96	-	96
At 30 September 2019	110,943	(855)	4,697	4,024	1,072	84,731	204,612	49,600	254,212

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 2020.

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 2020

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 2020.

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 2020.

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:

New MFRSs

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations
MFRS 9 Financial Instruments
MFRS 11 Joint Arrangements
MFRS 16 Leases
MFRS 112 Income Taxes
MFRS 119 Employee Benefits
MFRS 123 Borrowing Costs
MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 [^] 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022 [^] 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2022 [^]
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] The Annual Improvements to MFRS Standards 2018 - 2020

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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:

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarized below:

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combination

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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:

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarized below:

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 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity’s right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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:

- (b) 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 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

- (c) The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the financial year ended 30 June 2020 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 2020

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) 16,810,486 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 3,001,112 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; and
- v) 255,000 ordinary shares were issues at an exercise price of 23.7 sen per share

Options to subscribe for 11,933,132 ordinary shares remain unexercised.

Treasury Shares

The number of treasury shares held as at 30 September 2020 is as follows: -

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2020	4,628,700	1,287,081
Add: Purchase of treasury shares during the year under review	-	-
Balance of treasury shares as at 30 September 2020	<u>4,628,700</u>	<u>1,287,081</u>

7. DIVIDENDS PAID

No dividend has been paid in the current quarter under review.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

8. SEGMENTAL INFORMATION

The segment information for the current period ended 30 September 2020 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	480	45,488	16,605	17,024	3,143	-	(6,719)	76,021
Profit/(Loss) before tax	(242)	2,301	1,934	5,534	159	(13)	-	9,673
Segment assets	114,943	166,874	61,689	100,952	35,806	212	(122,485)	357,991

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 30 September 2020 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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

13. PERFORMANCE REVIEW BY SEGMENTS

Revenue	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	45,488	42,238	45,488	42,238
Environment	17,024	14,409	17,024	14,409
Engineering	16,605	16,878	16,605	16,878
Investment holdings	480	375	480	375
Rail	3,143	20,410	3,143	20,410
Total	82,740	94,310	82,740	94,310
Less: Elimination	(6,719)	(5,521)	(6,719)	(5,521)
Consolidated Total	76,021	88,789	76,021	88,789

Profit/(Loss) before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	2,301	5,017	2,301	5,017
Environment	5,534	1,652	5,534	1,652
Engineering	1,934	365	1,934	365
Investment holdings	(242)	(283)	(242)	(283)
Rail	159	5,228	159	5,228
Others	(13)	(12)	(13)	(12)
Total	9,673	11,967	9,673	11,967
Less: Elimination	-	-	-	-
Consolidated Total	9,673	11,967	9,673	11,967

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q1/FY21 amounted to RM45.5m, compared to RM47.2m in Q4/FY20. Higher revenue recorded in the immediate preceding quarter was due to the recognition of the roadworks project under the Southern Zone concession as well as lack of revenue contribution from CARP during the current quarter under review had given rise to the decrease in the revenue by RM1.7m/-3.6%.

Arising from the above, the division’s PBT for Q1/FY21 is closed at RM2.3m as compared to RM3.0m in Q4/FY20, a decrease of RM0.7m/-23.3%.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY21 was higher by RM3.3m/7.8% against preceding year corresponding quarter Q1/FY20. Despite the lack of contribution from CARP during the quarter under review, the higher recognition from a project which commenced in September 2019 had lifted the revenue of the division during the quarter under review.

In the absence of contribution from CARP during the quarter under review, the PBT had decreased by RM2.7m/-54.1% in the current quarter Q1/FY21 against preceding year’s corresponding quarter Q1/FY20.

13.2 Environment Division

QoQ

The division’s revenue for the current quarter under review Q1/FY21 was higher at RM17.0m compared to the immediate preceding quarter Q4/FY20, at RM11.9m. The increase of RM5.1m/42.9% was largely due to execution of new projects by the Middle East region during the current quarter under review. Additionally, the uplifting of the Restricted Movement Control Order due to Covid19 by the Malaysian and Singaporean Governments had enabled the recommencement of existing projects in Malaysia and Singapore.

The division recorded a PBT of RM5.5m in the current quarter under review Q1/FY21 against a LBT of RM0.5m in Q4/FY20, a significant turnaround of RM6m/>100% largely due to the accounting charges for impairment loss on trade receivables (RM6.8m) in the immediate preceding quarter as well as accounting for the recovery of RM0.9m from delinquent trade receivables during the quarter under review.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.2 Environment Division (continued)

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY21 was RM17.0m vs RM14.4m in Q1/FY20, an increase of RM2.6m/18.1% largely attributable to new project executions by the Middle East region.

Consequent to the above, as well as austerity initiatives undertaken by the division and recovery of delinquent trade receivables in the current quarter under review, the PBT was RM5.5m in Q1/FY21 vs RM1.7m in Q1/FY20, an increase of RM3.8m/>100%.

13.3 Engineering Division

QoQ

Revenue for Q1/FY21 amounted to RM16.6m compared to RM15.0m in Q4/FY20, an increase of RM1.6m/10.7% which was mainly attributable by the plumbing segment. The uplifting of the Restricted Movement Control Order due to Covid-19 by the Malaysian government had enabled projects undertaken by the division to recommence.

The division recorded a PBT of RM1.9m in the current quarter under review Q1/FY21 against a LBT of RM13.0m in Q4/FY20, a significant turnaround by RM14.9m/>100%. This was largely due the accounting charges for impairment loss on trade receivables totalling RM12.2m in the immediate preceding quarter.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY21 was RM16.6m vs RM16.9m in Q1/FY20, a slight decrease of RM0.3m/-1.8% due to the projects undertaken by the Aircond segment having mostly been completed.

Despite a slight decrease in revenue, the division recorded a higher PBT of RM1.9m in Q1/FY21 vs RM0.4m in Q1/FY20, an increase of RM1.5m/>100% largely due to the lack of drag on the division by the Aircond segment.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.3 Rail Division

QoQ

Revenue for Q1/FY21 was RM3.1m compared to RM8.0m in Q4/FY20, a decrease of RM4.9m/-61.3% largely attributable to the lower project progress during the current quarter under review.

Consequently, the division recorded a PBT of RM0.1m during the quarter under review compared to a PBT of RM0.7m in Q4/FY20, a decrease of RM0.6m/-85.7%.

Current quarter vs preceding year corresponding quarter

Revenue decreased significantly by RM17.3m/>-100% from RM20.4m in Q1/FY20 to RM3.1m in Q1/FY21 due to lower project progress and orderbook fulfillment during the current quarter under review.

Arising from the above, the division recorded a PBT of RM0.2m in Q1/FY21 against PBT of RM5.2m in Q1/FY20, a decrease of RM5.0m/-96.2%.

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

	Current quarter ended 30 September 2020 RM'000	Preceding quarter ended 30 June 2020 RM'000	Variance Favorable RM'000
Revenue	76,021	74,846	1,175
Profit/(Loss) before taxation and zakat	9,673	(28,070)	37,743

On a QoQ basis, revenue increased by RM1.2m/1.6% mainly attributable to higher revenue recorded by Environment as well the Engineering division, as mentioned in the above.

The Group recorded a PBT of RM9.6m in the current quarter under review compared to a LBT of RM28.1m in the immediate preceding quarter, a significant turnaround by RM37.7m/>100%. This was largely attributable to the impairment losses on goodwill in two CGUs of the Group amounting to RM13.8m, impairment loss on trade receivables amounting to RM21.1m from all divisions, an amortisation charge of RM1.1m against the remaining intangible assets arising from the acquisition of the rail division as well as accounting for an under provision of contingent consideration of RM1.1m arising from the same recorded during the immediate preceding quarter.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

15. COMMENTARY ON PROSPECTS

While the Board is pleased with the Group's financial performance for the first quarter of the new financial year, the Board maintains a cautiously optimistic view of the Group's performance in the year ahead, which will remain underpinned by the Group's orderbook of almost RM900 million. The threat posed by Covid19 on the economies of not only Malaysia but that of the rest of the world remains real.

We set out below our analysis of prospects by Divisions:

15.1 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.

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 contributing positively to our prospects.

15.2 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 continue contributing positively to the Group.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

15. COMMENTARY ON PROSPECTS (CONTINUED)

15.3 Engineering Division

Air conditioning segment

As projects undertaken by this segment have largely entered 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

With the resumption of projects undertaken by the segment, these are expected to contribute positively to the Group's earnings over the next three financial years.

15.4 Rail Division

The division continues to actively pursue rail related projects and procurement opportunities domestically as well as regionally and remain well poised with the agencies and principal representations it holds.

16. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

17. INCOME TAX EXPENSE

	Current quarter ended 30 September 2020 RM'000	Period to date ended 30 September 2020 RM'000
Profit before taxation and zakat	9,673	9,673
Income tax expense for the year	(1,583)	(1,583)
Effective tax rate	16.4%	16.4%

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.

18. CORPORATE PROPOSALS

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

19. BORROWINGS

	As at 30 September 2020 RM'000	As at 30 September 2019 RM'000
Secured short-term borrowings:		
Term loan	5,476	3,509
Revolving credit	3,700	15,475
Trade loan	1,031	1,171
Finance lease payables	-	1,054
Total short-term borrowings	<u>10,207</u>	<u>21,209</u>
Secured long-term borrowings:		
Term loan	17,773	13,632
Finance lease payables	-	1,836
Total long-term borrowings	<u>17,773</u>	<u>15,468</u>
Total borrowings	<u>27,980</u>	<u>36,677</u>

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

20. MATERIAL LITIGATION

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

21. DIVIDEND DECLARED

No dividend has been declared in the current quarter.

22. 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 2020	Period to date ended 30 September 2020
Profit attributable to owners of the Company (RM'000)	5,627	5,627
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	294,601	294,601
Basic earnings per share (sen)	<u>1.91</u>	<u>1.91</u>

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

23. REALISED AND UNREALISED PROFITS

	As at 30 September 2020 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	138,963
- Unrealised	1,614
	<u>140,577</u>
Less: Consolidation adjustments	<u>(79,710)</u>
Total group retained profit as per consolidated accounts	<u>60,867</u>

24. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and year to-date ended 30 September 2020 is stated after charging / (crediting) the following items:

	Current quarter ended 30 September 2020 RM'000	Period to date ended 30 September 2020 RM'000
Interest income	(472)	(472)
Other income	(821)	(821)
Reversal of impairment on receivables	(890)	(890)
Interest expense	469	469
Depreciation and amortization	981	981
Foreign exchange gain	(48)	(48)

25. AUTHORISATION FOR ISSUE

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