

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**PART A – EXPLANATORY NOTES PURSUANT TO FRS 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 2015.

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 2015.

**MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective**

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective, and have yet to be adopted by the Group:

<b>MFRSs, Amendments to MFRSs and IC Interpretations</b>		<b>Effective Date</b>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue From Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2018

The adoption of the accounting standards, amendments and interpretations set out above is expected to have no material impact on the financial statements of the Group upon their initial application.

**2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the financial statements for the financial year ended 30 June 2015 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.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**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.

**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.

The number of treasury shares held as at 31 December 2015 is as follows:-

	<b>No. of shares</b>	<b>Amount RM</b>
Balance of treasury shares as at 1 July 2015	3,326,800	855,221
add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 31 December 2015	<u>3,326,800</u>	<u>855,221</u>

**7. DIVIDENDS PAID**

There was no dividend paid in the current quarter.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**8. SEGMENTAL INFORMATION**

The segment information for the current period to-date ended 31 December 2015 is as follows:

	Investment holding	Facilities Division	Engineering Division	Environment Division	Adjustments and eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	52,179	25,922	28,427	(8,523)	98,005
Segment (loss)/profit	(877)	2,963	1,692	5,497	-	9,275
Segment assets	69,200	69,349	51,676	69,606	(55,061)	204,770

**9. CARRYING AMOUNT OF REVALUED ASSETS**

Not Applicable.

**10. SIGNIFICANT AND SUBSEQUENT EVENT**

There were no material events subsequent to 31 December 2015 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**

On 9<sup>th</sup> October 2015, AWC completed the acquisitions of Qudotech Sdn Bhd (“Qudotech”) and DD Techniche Sdn Bhd (“DDT”), whereby these companies became wholly owned subsidiaries of AWC. Other than this, 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 2015 RM'000	As at 30 June 2015 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,529	669
Later than 1 year and not later than 2 years	825	338
Later than 2 years and not later than 5 years	954	119
	<u>3,308</u>	<u>1,126</u>

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

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

**14. PERFORMANCE REVIEW BY SEGMENTS**

<b>Revenue</b>	<b>Current quarter ended 31 December 2015 RM'000</b>	<b>Current period to-date ended 31 December 2015 RM'000</b>	<b>Preceding year corresponding period ended 31 December 2014 RM'000</b>	<b>Variance for Period-to-date [Favorable / (adverse)] RM'000</b>
Facilities	22,788	44,196	35,207	8,989
Environment	19,433	28,427	16,627	11,800
Engineering	17,972	25,382	11,134	14,248

<b>Segment profit/(loss)</b>	<b>Current quarter ended 31 December 2015 RM'000</b>	<b>Current period to-date ended 31 December 2015 RM'000</b>	<b>Preceding year corresponding period ended 31 December 2014 RM'000</b>	<b>Variance for period-to-date [Favorable / (adverse)] RM'000</b>
Facilities	1,190	2,963	3,169	(206)
Environment	4,360	5,497	7,479	(1,982)
Engineering	1,833	1,692	652	1,040

**14.1 Facilities Division**

The Facilities Division registered pretax profit of approximately RM2.9 million for the current period to date against RM3.2 million in the corresponding period last year. The drop in pretax profit earned during the period under review despite the increase in revenue was due to the higher operating costs incurred in new projects secured. This was caused by incurrence of initial start up and mobilization costs in those new projects secured.

**14.2 Environment Division**

The Environment Division earned pretax profits of approximately RM5.5 million in the current period to date compared to RM7.5 million in the corresponding period last year. Profits in the period last year included amounts written back in relation of diminution in value of a joint venture undertaken in Abu Dhabi. Excluding the impact from this amount written back, the performance of the Environment Division over the two periods showed an improvement on the back of good progress achieved on projects undertaken.

**14.3 Engineering Division**

Engineering Division showed a pretax profit of RM1.8 million for the current period to date compared to RM0.6 million in the corresponding period last year. This strong improvement was due to the commencement of several air conditioning projects undertaken which started in March 2015. Also, the results of Qudotech and DDT have been consolidated into the Group results from the date of completion of the acquisition on 9 October 2015. The performance of these two companies contributed positively to the results of the Division for the period under review.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

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

	<b>Current quarter ended 31 December 2015 RM'000</b>	<b>Preceding quarter ended 30 September 2015 RM'000</b>	<b>Variance [Favorable / (adverse)] RM'000</b>
Profit before taxation	7,146	2,129	5,017

The Group registered a strong improvement in its pretax profit for the current quarter, registering an amount of RM7.1 million, compared to RM2.1 million in the previous quarter. This more than three (3) fold increase was due to the good performance of the Environment Division where good progress was achieved on projects undertaken therein. Further, the results of Qudotech and DDT were consolidated into the Group results from the date of completion of the acquisition on 9 October 2015.

**16. COMMENTARY ON PROSPECTS**

**16.1 Facilities Division**

The income of the Facilities Division is derived from Integrated Facility Management of buildings and facilities under our care. This includes Federal Government buildings and facilities in the Southern Region (states of Negeri Sembilan, Melaka and Johor) and in the state of Sarawak under the Concession segment. The buildings and facilities under our care are currently on an interim contract until 31 December 2015.

Other buildings and facilities maintained by us are under the Commercial segment which handles various short term contracts outside of the Concession.

The revenue from the Concession segment is currently based on old rates (effective since 2001). Revenue is expected to improve once the new Concession Agreement is executed. In addition, we foresee steady growth in the Commercial segment for the future.

The Healthcare segment relates to buildings and facilities under the Healthcare segment in the Facilities Division. We have recently in July 2015 commenced a new contract under the Healthcare segment, where positive results are expected to be derived for the remainder of the financial year. Further, in February 2016 we announced that the Facilities Division has been awarded the contract to maintain Hospital Shah Alam for a period of five years commencing 1 March 2016 for approximately RM90 million. This new contract will contribute positively to our financial performance once it kicks off.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**16. COMMENTARY ON PROSPECTS (cont'd.)**

16.2 Environment Division

Revenue and profit of the Environment Division are closely pegged to project income from contracted onshore and offshore projects which are highly correlated to:-

- (a) The economic prospects and development of the offshore regions in which it operates principally in which are locally in Malaysia, the Middle East and Singapore.
- (b) Project risks such as delay in commencement, progress and completion of projects which may result in lower revenue recognition leading to an adverse impact on the financial performance of this Division.

In addition, the Division is also exposed to foreign currency risks of its operating regions such as Arab Emirates Dirham and Singapore Dollar.

Considering the present global economic climate, the Environment Division shall be selective in building its order books in developing and upcoming economies both abroad and closer to home. However, the Environment Division has recently secured several new projects both locally and overseas where it foresees positive contribution to overall group results. In the current quarter, the Division has caught up on project progress on its projects undertaken. We expect the performance of this Division to continue showing steady improvement.

16.3 Engineering Division

Performance of this Division is expected to remain closely pegged to the cyclical construction sector in both Malaysia and Singapore which is highly correlated to the economic outlook and consumers' sentiment under intense market competition.

As mentioned, AWC has recently on 9 October 2015 completed the acquisition of Qudotech and DDT, wherein the previous owners of Qudotech and DDT are providing a profit guarantee of RM3.9 million per annum for the two companies for the two financial years ending 30 June 2016 and 30 June 2017. The results of Qudotech and DDT have been consolidated into the AWC Group's results from 9 October 2015 onwards, i.e. from Quarter 2 onwards. In January 2016, AWC announced that Qudotech secured the contracts for the plumbing works for the KL118 Tower and the MAS Building refurbishment and construction, for RM61.95 million and RM19 million respectively. The income from these projects are expected to contribute positively to the financial performance of the AWC Group in the future periods, subsequent to the current financial year.

**17. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**18. INCOME TAX EXPENSE**

	<b>Current quarter ended 31 December 2015 RM'000</b>	<b>Period to date ended 31 December 2015 RM'000</b>
Income tax expense for the period	(1,737)	(2,152)

The effective tax rate of certain subsidiaries is only slightly lower than the statutory tax rate mainly due to foreign-source income generated from its operations in Abu Dhabi, United Arab Emirates and pioneer status tax incentive enjoyed by certain subsidiaries of the Group during part of the period under review.

**19. CORPORATE PROPOSALS**

The acquisition of Qudotech and DDT were completed on 9 October 2015. The Employees Share Option Scheme was launched on 2 December 2015. Other than these corporate proposals which were completed during the reporting quarter, there was no other corporate proposal announced but not completed as at the latest practicable date.

**20. BORROWINGS**

	<b>As at 31 December 2015 RM'000</b>	<b>As at 30 June 2015 RM'000</b>
Secured short-term borrowings:		
Term loan	-	-
Revolving credit	-	1,511
Hire purchase payables	270	527
Total short-term borrowings	270	2,038
Secured long-term borrowings:		
Term loan	126	-
Hire purchase payables	353	402
Total borrowings	749	402

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 dividend proposed in the current quarter.

---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**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:

	<b>Current quarter ended 31 December 2015</b>	<b>Period to date ended 31 December 2015</b>
Profit attributable to owners of the company (RM'000)	3,747	5,001
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	256,010	240,681
Basic earnings per share (sen)	1.46	2.08

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/LOSSES**

	<b>As at 31 December 2015 RM'000</b>
Total retained profits / (accumulated losses) of the Company and its subsidiaries:	
- Realised	57,932
- Unrealised	77
	58,009
Total share of retained profit / (accumulated losses) from associated company:	
- Realised	-
- Unrealised	-
Total share of retained profit / (accumulated losses) from jointly controlled entity:	
- Realised	2,092
- Unrealised	-
	60,101
Less: Consolidation adjustments	(44,999)
Total group retained profit / (accumulated losses) as per consolidated accounts	15,102



---

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015**

---

**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 2015 is stated after charging / (crediting) the following items:

	<b>Current quarter ended 31 December 2015 RM'000</b>	<b>Period to date ended 31 December 2015 RM'000</b>
Interest income	(322)	(400)
Other (income)/expenses	(121)	(290)
Interest expense	73	175
Depreciation and amortisation	771	1,340
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange (gain)/ loss	232	72
(Gain)/ loss on derivatives	-	-
Exceptional items	-	-

**26. AUTHORISATION FOR ISSUE**

This interim financial report has been approved by the Board of Directors of the Company for issuance on 29 February 2016.