AWC BERHAD

(Company No. 550098-A)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2017 RM'000	CURRENT YEAR TO DATE 30/06/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2017 RM'000
Revenue	14	94,155	85,955	303,964	296,496
Cost of sales		(72,544)	(62,349)	(224,405)	(214,679)
Gross profit		**21,611**	**23,606**	**79,559**	**81,817**
Other operating income		1,404	4,143	3,114	8,275
Other operating expenses		(16,762)	(17,044)	(50,591)	(50,998)
Profit from operations		**6,253**	**10,705**	**32,082**	**39,094**
Finance income/(costs), net		940	(261)	1,362	(438)
Profit before taxation	**14**	**7,193**	**10,444**	**33,444**	**38,656**
Taxation	18	(1,003)	(2,347)	(6,961)	(7,753)
Profit after taxation for the financial year		**6,190**	**8,097**	**26,483**	**30,903**
Other comprehensive income:					
Foreign currency translation differences		150	(912)	861	1,813
Total comprehensive income for the financial year		**6,340**	**7,185**	**27,344**	**32,716**
Profit attributable to:					
Owners of the Company		4,397	5,903	21,376	22,019
Non-controlling interests		1,793	2,194	5,107	8,884
		6,190	**8,097**	**26,483**	**30,903**
Total comprehensive income attributable to:					
Owners of the Company		4,433	5,330	19,962	23,291
Non-controlling interests		1,907	1,855	7,382	9,425
		6,340	**7,185**	**27,344**	**32,716**
Basic earnings per share (sen)	**23**	**1.63**	**2.24**	**7.99**	**8.30**

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 FOURTH QUARTER ENDED 30 JUNE 2018

	Note	(Unaudited) AS AT 30/06/2018 RM'000	(Audited) AS AT 30/6/2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		15,477	14,592
Investment properties		4,510	2,778
Intangible assets - goodwill		28,144	28,144
Deferred tax assets		3,577	1,042
		51,708	**46,556**
CURRENT ASSETS			
Inventories		18,863	18,050
Tax recoverable		1,951	3,398
Other receivables		19,232	21,797
Trade receivables		128,722	134,925
Deposits with licensed banks, cash and bank balances		57,048	67,691
		225,816	**245,861**
TOTAL ASSETS		**277,524**	**292,417**
EQUITY AND LIABILITIES			
Equity			
Share capital		93,212	91,115
Treasury shares		(855)	(855)
Foreign exchange reserve		4,458	5,872
Revaluation reserve		4,370	2,928
Share option reserve		3,758	2,018
Retained profits		58,871	40,169
Equity attributable to owners of the Company		**163,814**	**141,247**
Non-controlling interests		35,813	28,431
Total Equity		**199,627**	**169,678**
NON-CURRENT LIABILITIES			
Other payables		352	369
Provision for end of service benefit		586	487
Long term borrowings	20	10,313	2,147
Deferred tax liabilities		122	276
		11,373	**3,279**
CURRENT LIABILITIES			
Other payables		29,222	71,958
Trade payables		34,515	43,290
Provision for taxation		480	1,556
Short term borrowings	20	2,307	2,656
		66,524	**119,460**
TOTAL LIABILITIES		**77,897**	**122,739**
TOTAL EQUITY AND LIABILITIES		**277,524**	**292,417**
NET ASSETS PER SHARE (SEN)		**60.1**	**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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

	CURRENT YEAR TO DATE 30/06/2018 RM'000	PREVIOUS YEAR TO DATE 30/06/2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	33,444	38,656
Adjustments for:		
Amortisation of intangible assets	-	3
Allowance for impairment lossess on trade receivables	1,523	188
Allowance for slow moving inventories	295	85
Reversal of impairment on receivables	(511)	(3,951)
Depreciation of property, plant and equipment	2,635	2,462
Impairment loss on investment in associate	-	2
Provision for end of service benefit	99	140
Provision for short-term accumulating compensated absences	-	138
Plant and equipment written off	-	2
Reversal of retirement benefit obligation	(16)	(2,037)
Gain on disposal of property, plant and equipment	(171)	(192)
Fair value gain on investment properties	(1,732)	-
Share options granted under Share Option Plan	1,740	2,628
Unrealised gain on foreign exchange	-	(102)
Finance (income)/expense,net	(1,362)	438
Operating profit before working capital changes	**35,944**	**38,460**
Increase in inventories	(1,108)	(315)
Decrease in receivables	8,025	(25,766)
Decrease in payables	(48,838)	35,124
Cash (used in)/generated from operations	**(5,977)**	**47,503**
Payment for retirement benefit obligation	-	(580)
Interest paid	(903)	(438)
Taxes paid	(9,280)	(10,067)
Net cash (used in)/generated from operating activities	**(16,160)**	**36,418**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in amount owing by jointly controlled entity	-	-
Purchase of property, plant and equipment	(2,184)	(4,994)
Proceeds from disposals of property, plant and equipment	171	349
Net cash inflow from disposal of investment in jointly controlled entity	-	816
Interest received	2,266	-
Net cash used in investing activities	**253**	**(3,829)**
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of revolving credit/term loans	7,817	1,991
Repayment of hire purchase and lease payables	-	(361)
Proceed from exercise of employee share options	2,098	1,849
Dividends paid to owners	(2,674)	(5,214)
Dividends paid to non-controlling interest	-	(9,800)
Net cash generated from financing activities	**7,241**	**(11,535)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(8,666)**	**21,054**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**67,691**	**44,715**
Effects of exchange differences	(1,977)	1,922
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**57,048**	**67,691**
Cash and cash equivalents comprise:		
Cash and bank balances	25,050	45,602
Deposits with licensed bank	31,998	22,089
	57,048	**67,691**

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 FOURTH QUARTER ENDED 30 JUNE 2018

	[Non - Distributable]							Distributable			
	Share Capital RM'000	Share Premium * RM'000	Treasury Shares RM'000	Foreign Exchange Reserves RM'000	Revaluation Reserves RM'000	Statutory Reserve RM'000	Share Option Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
30 June 2018											
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	-	-	-	-	-	-	-	21,376	21,376	5,107	26,483
- Foreign currency translation reserve	-	-	-	(1,414)	-	-	-	-	(1,414)	2,275	861
Total comprehensive income for the financial year	-	-	-	(1,414)	-	-	-	21,376	19,962	7,382	27,344
Transaction with owners:											
- Exercise of employee share options	2,097	-	-	-	-	-	-	-	2,097	-	2,097
- Value of employees' services pursuant to ESOS	-	-	-	-	-	-	1,740	-	1,740	-	1,740
- Dividend	-	-	-	-	-	-	-	(2,674)	(2,674)	-	(2,674)
- Revaluation reserve	-	-	-	-	1,442	-	-	-	1,442	-	1,442
At 30 June 2018	**93,212**	**-**	**(855)**	**4,458**	**4,370**	**-**	**3,758**	**58,871**	**163,814**	**35,813**	**199,627**
30 June 2017											
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	-	-	-	1,272	-	-	-	22,019	23,291	9,425	32,716
Transaction with owners:											
- Exercise of employee share options	1,604	857	-	-	-	-	(610)	-	1,851	-	1,851
- Value of employees' services pursuant to ESOS	-	-	-	-	-	-	2,628	-	2,628	-	2,628
- Disposal of investment in jointly controlled entity	-	-	-	-	-	(307)	-	-	(307)	-	(307)
- Dividend	-	-	-	-	-	-	-	(5,215)	(5,215)	(9,802)	(15,017)
Transition to no par value regime*	11,068	(11,068)	-	-	-	-	-	-	-	-	-
At 30 June 2017	**91,115**	**-**	**(855)**	**5,872**	**2,928**	**-**	**2,018**	**40,169**	**141,247**	**28,431**	**169,678**

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.

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.

Adoption of Amendments/Improvements to MFRSs

The Group adopted the following amendments/improvements to MFRSs:

Amendments/Improvements to MFRSs	
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
New MFRSs		
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
Amendments/Improvements to MFRSs		
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

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
Amendments/Improvements to MFRSs(continued)		
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
New IC Int		
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.

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.

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.

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) 11,340,360 ordinary shares were issued at an exercise price of 33.6 sen per share; and
ii) 2,105,612 ordinary shares were issued at an exercise price of 42.3 sen per share

Options to subscribe for 17,860,008 ordinary shares remain unexercised.

Treasury Shares
The number of treasury shares held as at 30 June 2018 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 30 June 2018	3,326,800	855,221

7. DIVIDENDS PAID

On 2 January 2018, the Company paid a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2017 (2016: 1.0 sen) amounting to approximately RM2.6 million (2016: RM2.6 million). Other than this, no dividend has been paid in the current quarter under review.

8. SEGMENTAL INFORMATION

The segment information for the current year ended 30 June 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	4,690	182,762	101,106	57,848	3	(42,445)	303,964
Segment profit/(loss)	1,749	15,599	2,289	10,254	(218)	(3,190)	26,483
Segment assets	100,969	116,909	75,868	85,967	92	(102,281)	277,524

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

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 whole acquisition exercise is expected to be completed in October 2018.

No material events subsequent to 30 June 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 June 2018 RM'000	As at 30 June 2017 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,275	2,232
Later than 1 year and not later than 2 years	627	1,454
Later than 2 years and not later than 5 years	948	2,699
Later than 5 years	670	2,818
	3,520	9,203

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 30 June 2018 RM'000**	**Preceding year corresponding quarter ended 30 June 2017 RM'000**	**Current year to-date ended 30 June 2018 RM'000**	**Preceding year corresponding period ended 30 June 2017 RM'000**
Facilities	60,949	32,380	182,762	135,192
Environment	16,751	21,128	57,848	69,278
Engineering	28,650	39,562	101,106	118,869
Investment holdings	6,624	10,575	4,690	14,700
Others	-	-	3	-
Total	112,974	103,645	346,409	338,039
Less: Elimination	(18,819)	(17,690)	(42,445)	(41,543)
Consolidated Total	**94,155**	**85,955**	**303,964**	**296,496**

Profit before tax	**Current quarter ended 30 June 2018 RM'000**	**Preceding year corresponding quarter ended 30 June 2017 RM'000**	**Current year to-date ended 30 June 2018 RM'000**	**Preceding year corresponding period ended 30 June 2017 RM'000**
Facilities	4,865	(1,545)	19,497	6,230
Environment	4,064	5,903	12,626	21,489
Engineering	(632)	4,498	2,952	12,001
Investment holdings	5,203	11,786	1,777	11,879
Others	(57)	(366)	(218)	(111)
Total	13,443	20,276	36,634	51,488
Less: Elimination	(6,250)	(9,832)	(3,190)	(12,832)
Consolidated Total	**7,193**	**10,444**	**33,444**	**38,656**

14.1 Facilities Division

Quarter on Quarter ("QoQ")

Revenue for Q4/FY18 amounted to RM60.9m, compared to RM46.3m in Q3/FY18. The increase of RM14.6m/32% was mainly attributable to higher recognition from the Capital Asset Refurbishment Programme in the current quarter under review.

Without taking the elimination effect, the PBT for Q4/FY18 decreased slightly to RM4.9m from RM5.1m in Q3/FY18 attributable to one-off demobilization cost from certain project sites.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division (continued)

Current quarter vs preceding year corresponding quarter

The revenue in current quarter Q4/FY18 increased by RM28.6m/88.2% as compared to preceding year corresponding quarter Q4/FY17. This was attributable to the commencement of (4) new projects in Putrajaya as well as Capital Asset Refurbishment Programme in the current quarter under review.

Significant increase in the segment profit for current quarter Q4/FY18 vs preceding year corresponding quarter Q4/FY17 by RM6.4m/>100% was in line with the significant increase in the revenue as well as attributable to the cost restructuring undertaken by the division as well as saving on mobilization costs incurred for the new contracts.

Year on Year ("YoY")

The revenue in Q4/FY18 increased by RM47.6m/35.2% as compared to Q4/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 PBT in Q4/FY18 of RM19.5m vs Q4/FY17 of RM6.2m, an increase of RM13.3m/>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 Q4/FY18 amounted to RM16.7m, compared to RM13.7m for Q3/FY18, an increase of RM3.0m/21.9%. The increase in Q4/FY18 due to the progress catch up in the projects undertaken by the division mainly attributable by Malaysia, Singapore and Middle East subsidiaries.

PBT in Q4/FY18 amounted to RM4.1m, compared to RM4.7m in Q3/FY18, a slight decrease of RM0.6m/-12.7%. The decrease in Q4/FY18 was due to drop in gross margin following from the negative gross margin revisions undertaken during the quarter under review.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.2 Environment Division (continued)

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM4.4m/-20.7% for the current quarter under review Q4/FY18 as compared to preceding year corresponding quarter Q4/FY17 mainly attributable by the project delays experienced by the division.

PBT of the division also decreased by RM1.8m/-31.2% in current quarter Q4/FY18 against preceding year corresponding quarter Q4/FY17. The decrease attributable by the projects delays as well as lower recovery of bad debts during the current quarter under review.

YoY

Revenue for Q4/FY18 of RM57.8m was lower than Q4/FY17 of RM69.3m, a decrease by RM11.5m/-16.5%. This decrease was mainly attributable to delays experienced in some projects being undertaken in the beginning of FY18.

Segment profit for Q4/FY18 of RM12.6m vs RM21.5m in Q4/FY17, a decrease of RM8.9m/-41.4%. This drop was due to the delivery of certain big-ticket items with higher gross margins in FY17 (resulting in stronger margins earned) as opposed to the project delays experienced in the FY18. Additionally, lower recovery of bad debt was recorded during the period under review, RM512k vs RM6.14m.

14.3 Engineering Division

QoQ

Revenue in Q4/FY18 amounted to RM28.7m compared to RM26.5m in Q3/FY18, an increase of RM2.2m/8.3%. This increase was due to further recognition by the division supporting certain projects undertaken by the Facilities division as well as better progress achieved in contracts undertaken in the current quarter (Q3/FY18).

Without taking the elimination effect, this division reported LBT of RM0.6m vs PBT of RM1.8m in Q3/FY18, a decrease of RM2.4m/>-100%. The decrease attributable to the cost overruns experienced in Aircond segment as well as due to certain provision been made on the trade receivables as well as slow moving stock of RM1.48m and RM0.2m respectively.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division (continued)

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM10.9m/-27.6% for the division in the current quarter Q4/FY18 against preceding year corresponding quarter Q4/FY17 mainly attributable by the project delays experienced in FY18.

Decrease in PBT by RM5.1m/->100% in current quarter Q4/FY18 against preceding year corresponding quarter Q4/FY17 mainly due to the margin compression and cost overruns experienced in the Air Cond segment as well as certain project delays in Plumbing segment. Additionally, the impairments made on the trade receivables and slow moving stock of RM1.48m and RM0.2m respectively in the current quarter under review further weighed on the Division's performance.

YoY

Without taking the elimination effect, the revenue in Q4/FY18 of RM101.1m vs RM118.9m in Q4/FY17, a decrease of RM17.8m/-14.9%. This is due to the project delays experienced since Q1/FY18.

Without taking the elimination effect, the division reported a segment profit for Q4/FY18 amounted to RM2.9m vs segment profit of RM12.0m in Q4/FY17, a decrease of RM9.1m/-75.8%. As stated above, this was due to project delays in certain contracts in the Plumbing segment, margin compressions experienced in the Air Cond segment and cost overruns since Q1/FY18 as well as due to the impairment made on trade receivables and slow moving stock.

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

	Current quarter ended 30 June 2018	Preceding quarter ended 31 March 2018	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	94,155	75,252	18,903
Profit before taxation and zakat	7,193	11,181	(3,988)

On a QoQ basis, revenue increased by RM18.9m/26%. 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 as well as project progress in the environment division.

Nonetheless, despite higher revenue recorded in current quarter vs preceding quarter, the PBT reduced by RM3.9m/-35.7% due to a myriad of issues as explained in the segmental notes. Additionally, costs associated with the ongoing acquisition exercise (RM0.5m) further weighed on the Group's financial performance during the quarter under review.

16. COMMENTARY ON PROSPECTS

The Group's prospects remain strong where the currents 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 financial performance to remain robust for the upcoming new financial year. The completion of the acquisition of Trackwork will add positively to the Group's earnings.

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.

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.1 Facilities Division (continued)

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 three financial years. In beginning of FY18 we experienced project delays in certain contracts but nonetheless they catching up in this quarter and hopefully in the ensuing quarters. Prospects remain positive for this Division.

16.3 Engineering Division

Air conditioning segment

The Capital 21 project is progressing well and is nearing completion. Variation Orders are expected to materialize. On top of that the inter segment revenue with facilities division is also progressing nicely 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 30 June 2018 RM'000	Year to date ended 30 June 2018 RM'000
Profit before taxation and zakat	7,567	33,819
Income tax expense for the year	(1,003)	(6,961)
Effective tax rate	13.3%	20.6%

The effective tax rate for the Group for period to date is lower than the statutory tax rate mainly due to:

i) 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;

ii) under provision of prior year tax by RM1.0m in the facilities division arising from the non-deductible accrual expenses on the roadwork.

19. CORPORATE PROPOSALS

On 28 February 2018, the Company announced the following multiple proposals:

The Company had on 28 February 2018 entered into the following agreements:

(i) a conditional share sale agreement ("**SSA**") with Goh Poey Hong, Chong Kim Loong, Goh Tse Woei, Kong Keat Voon, Chong Chong Hong, Lim Huey Yih and Shaun Chan Thiam Eng (collectively referred to as the "**Sellers**") for the proposed acquisition by AWC of 3,000,000 ordinary shares in Trackwork & Supplies Sdn Bhd ("**Trackwork**") ("**Trackwork Shares**" or "**Sale Shares**"), representing 60% equity interest therein from the Sellers, for a total purchase consideration of RM43.50 million ("**Purchase Consideration**") which will be satisfied through a combination of cash amounting to RM20.00 million ("**Cash Consideration**") and the balance RM23.50 million through the issuance of new ordinary shares in AWC ("**AWC Shares**") ("**Consideration Shares**"); and

(ii) a shareholders' agreement with Trakniaga Sdn Bhd (being a shareholder of Trackwork holding 40% equity interest therein) ("**Trakniaga**") and Trackwork ("**Shareholders' Agreement**") for the following:-

(a) to govern the management and operation of Trackwork between the shareholders of Trackwork upon completion of the Proposed Acquisition;
(b) the granting by Trakniaga of a call option for AWC to require Trakniaga to dispose all the remaining Trackwork Shares held by it ("**Option Share(s)**") ("**Call Option**"); and
(c) the granting by AWC of a put option for Trakniaga to require AWC to acquire the Option Shares ("**Put Option**").
(The Call Option and Put Option are collectively referred to as the "**Call/Put Options**").

In conjunction with the Proposed Acquisition, the Company proposes to undertake a proposed diversification of the principal activities of AWC and its subsidiaries ("**AWC Group**") to include rail related works as the Company envisages that the eventual contribution arising from the Proposed Acquisition will be more than 25% of the net profits of the AWC Group and as such will result in a diversification of the AWC Group's existing core business.

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.

19. CORPORATE PROPOSALS (CONTINUED)

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 multiple proposals are pending Shareholders' approval at an Extraordinary General Meeting to be convened. The Additional Listing Application in respect of the new shares to be issued pursuant to the multiple proposals has been approved by Bursa Malaysia Securities Berhad on 2 May 2018. A draft circular to Shareholders is currently pending approval by Bursa.

20. BORROWINGS

	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Secured short-term borrowings:		
Term loan	1,519	16
Revolving credit	-	2,007
Finance lease payables	788	633
Total short-term borrowings	2,307	2,656
Secured long-term borrowings:		
Term loan	8,214	92
Finance lease payables	2,099	2,055
	10,313	2,147
Total borrowings	12,620	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

The Board of Directors is pleased to propose a first and final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2018. This dividend is subject to approval by shareholders at the forthcoming Annual General Meeting. The book closure and payment dates for this dividend will be announced in due course.

23. EARNINGS PER SHARE

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

	Current quarter ended 30 June 2018	**Year to date ended 30 June 2018**
Profit attributable to owners of the Company (RM'000)	4,397	21,376
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	270,060	267,564
Basic earnings per share (sen)	1.63	7.99

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 June 2018 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	127,041
- Unrealised	3,454
	130,495
Less: Consolidation adjustments	(71,624)
Total group retained profit as per consolidated accounts	58,871

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Current quarter ended 30 June 2018 RM'000	Year to date ended 30 June 2018 RM'000
Interest income	(1,252)	(2,265)
Other income	(1,104)	(2,814)
Interest expense	312	903
Depreciation and amortization	637	2,633
Foreign exchange gain	(536)	(300)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 28 August 2018.