

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2017 RM'000	CURRENT PERIOD TO DATE 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2017 RM'000
Revenue	14	85,947	68,353	154,439	134,557
Cost of sales		(60,016)	(51,601)	(107,240)	(100,923)
Gross profit		25,931	16,752	47,199	33,634
Other operating income		120	406	657	1,522
Other operating expenses		(13,951)	(10,479)	(26,715)	(20,376)
Profit from operations		12,099	6,679	21,139	14,780
Finance income/(costs), net		(261)	335	(148)	291
Profit before taxation	14	11,838	7,014	20,991	15,071
Taxation	18	(2,555)	(1,558)	(4,424)	(3,285)
Profit after taxation for the financial period		9,283	5,456	16,567	11,786
Other comprehensive income:					
Foreign currency translation differences		53	1,822	1,093	1,748
Total comprehensive income for the financial period		9,336	7,278	17,660	13,534
Profit attributable to:					
Owners of the Company		7,004	5,060	13,075	10,122
Non-controlling interests		2,279	396	3,492	1,664
		9,283	5,456	16,567	11,786
Total comprehensive income attributable to:					
Owners of the Company		7,043	4,298	13,877	9,374
Non-controlling interests		2,293	2,980	3,783	4,160
		9,336	7,278	17,660	13,534
Basic earnings per share (sen)	23	2.48	1.88	4.74	3.81

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

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	31/12/2018	30/6/2018
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	17,373	15,477
Investment properties	4,510	4,510
Intangible assets - goodwill	62,877	28,144
Deferred tax assets	2,823	3,355
	87,582	51,486
CURRENT ASSETS		
Inventories	18,785	18,856
Tax recoverable	2,714	2,256
Other receivables	8,857	9,702
Trade receivables	94,884	82,205
Due from customer on contracts	60,331	54,556
Deposits with licensed banks, cash and bank balances	97,038	57,048
	282,609	224,623
TOTAL ASSETS	370,191	276,109
EQUITY AND LIABILITIES		
Equity		
Share capital	107,719	94,841
Treasury shares	(855)	(855)
Foreign exchange reserve	5,216	4,414
Revaluation reserve	4,024	4,024
Share option reserve	1,510	1,510
Retained profits	71,427	59,772
Equity attributable to owners of the Company	189,041	163,706
Non-controlling interests	45,662	36,033
Total Equity	234,703	199,739
NON-CURRENT LIABILITIES		
Other payables	352	353
Provision for end of service benefit	657	586
Long term borrowings	20 19,874	10,833
Deferred tax liabilities	156	622
	21,038	12,394
CURRENT LIABILITIES		
Other payables	36,450	20,367
Trade payables	52,169	39,988
Provision for taxation	1,011	240
Short term borrowings	20 24,600	2,623
Due to customers on contracts	219	758
	114,450	63,976
TOTAL LIABILITIES	135,488	76,370
TOTAL EQUITY AND LIABILITIES	370,191	276,109
NET ASSETS PER SHARE (SEN)	66.5	60.8

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

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

	CURRENT PERIOD TO DATE 31/12/2018 RM'000	PREVIOUS PERIOD TO DATE 31/12/2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	20,991	15,071
Adjustments for:		
Allowance for impairment losses on trade receivables	14	-
Allowance for slow moving inventories	66	-
Reversal of impairment on receivables	(11)	(829)
Depreciation of property, plant and equipment	1,432	1,360
Provision for end of service benefit	70	20
(Reversal of)/Provision for retirement benefit obligation	-	(16)
Gain on disposal of property, plant and equipment	(88)	(100)
Unrealised loss on foreign exchange	2	-
Finance expenses/(income),net	148	(291)
Operating profit before working capital changes	22,624	15,215
Decrease in inventories	4	1,164
(Increase)/Decrease in receivables	(17,612)	55,527
Increase/(Decrease) in payables	16,199	(51,226)
Cash generated from operations	21,215	20,680
Interest paid	(795)	(409)
Taxes paid	(4,043)	(3,964)
Net cash generated from operating activities	16,377	16,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow from acquisition of subsidiaries	(13,044)	-
Purchase of property, plant and equipment	(1,334)	(1,485)
Proceeds from disposals of property, plant and equipment	27	100
Increase of investment in subsidiaries by non-controlling interests	5,845	-
Interest received	647	700
Net cash used in investing activities	(7,859)	(685)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown/(repayment) of revolving credit/term loans	29,124	(1,478)
Repayment of hire purchase and lease payables	(477)	-
Drawdown of trade loan	1,894	-
Proceed from exercise of employee share options	1,378	1,699
Dividends paid to owners	(1,420)	-
Net cash generated from financing activities	30,499	221
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,017	15,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	57,048	67,691
Effects of exchange differences	973	(1,137)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	97,038	82,397
Cash and cash equivalents comprise:		
Cash and bank balances	65,206	46,527
Deposits with licensed bank	31,832	35,870
	97,038	82,397

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

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

	Share Capital	Treasury Shares	Foreign Exchange Reserves	Revaluation Reserves	Share Option Reserves	Distributable Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018									
At 1 July 2018	94,841	(855)	4,414	4,024	1,510	59,772	163,706	36,033	199,739
Other comprehensive income for the financial year	-	-	-	-	-	13,075	13,075	3,492	16,567
- Foreign currency translation reserve	-	-	802	-	-	-	802	291	1,093
Total comprehensive income for the financial year	-	-	802	-	-	13,075	13,877	3,783	17,660
Transaction with owners:									
- Exercise of employee share options	1,378	-	-	-	-	-	1,378	-	1,378
- Issuance of shares for acquisition of a subsidiary	11,500	-	-	-	-	-	11,500	-	11,500
- Dividends paid on shares to owner of the company	-	-	-	-	-	(1,420)	(1,420)	-	(1,420)
- Non controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	-	5,845	5,845
At 31 December 2018	107,719	(855)	5,216	4,024	1,510	71,427	189,041	45,661	234,702
31 December 2017									
At 1 July 2017	91,115	(855)	5,872	2,928	2,018	40,169	141,247	28,431	169,678
Other comprehensive income for the financial year	-	-	-	-	-	10,122	10,122	1,664	11,786
- Foreign currency translation reserve	-	-	(748)	-	-	-	(748)	2,496	1,748
Total comprehensive income for the financial year	-	-	(748)	-	-	10,122	9,374	4,160	13,534
Transaction with owners:									
- Exercise of employee share options	1,698	-	-	-	-	-	1,698	-	1,698
- Value of employees' services pursuant to ESOS	-	-	-	-	-	-	-	-	-
- Disposal of investment in jointly controlled entity	-	-	-	-	-	-	-	-	-
- Dividend	-	-	-	-	-	-	-	-	-
At 31 December 2017	92,813	(855)	5,124	2,928	2,018	50,291	152,319	32,591	184,910

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

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

Adoption of 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 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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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 SECOND QUARTER ENDED 31 DECEMBER 2018

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 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 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 [#]
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and discontinued Operations	1 January 2021 [#]
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021 [#]
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021 [#]
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial Instruments: Presentation	1 January 2021 [#]
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021 [#]

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

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

Effective for financial periods beginning on or after

<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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.

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.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as “rights-of-use” assets and their corresponding lease liabilities for the present value of future lease payments.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

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).

MFRS 16 Leases (Continued)

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. This standard is not applicable to the Group.

Amendments to MFRS 3 Business Combination and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

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 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 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

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).

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2018 was not subject to any audit qualification.

3. SEASONAL OR CYCLICAL FACTORS

The Group's business was not affected by any significant seasonal or cyclical factors during the current quarter under review.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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) 13,849,246 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 2,449,612 ordinary shares were issued at an exercise price of 42.3 sen per share; and
- iii) 430,150 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

Options to subscribe for 14,469,572 ordinary shares remain unexercised.

On 11 October 2018, in relation to the acquisition of Trackwork & Supplies Sdn. Bhd. ("Trackwork"), the Company had issued 11,500,000 consideration shares to the Sellers of Trackwork, being as part of the purchase consideration of RM43,500,000.

Treasury Shares

The number of treasury shares held as at 31 December 2018 is as follows:-

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2018	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 31 December 2018	3,326,800	855,221

7. DIVIDENDS PAID

On 21 December 2018, the Company paid a final single tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2018 (2017: 1.0 sen) amounting to approximately RM1.4 million (2017: RM2.6 million). Other than this, no dividend has been paid and declared in the current quarter.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 December 2018 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	750	89,850	37,303	32,759	8,288	-	(14,511)	154,439
Profit/(Loss) before tax	(727)	10,359	2,506	5,787	3,149	(83)	-	20,991
Segment assets	145,474	136,319	81,214	93,461	32,930	87	(131,294)	358,191

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

Acquisition of Trackwork & Supplies Sdn Bhd

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

On 26 July 2018, the Company and the Sellers had entered into a supplemental share sale agreement ("Supplemental Agreement") for the purpose of supplementing and amending the provisions in the SSA, subject to and upon the terms and provisions contained in the Supplemental Agreement.

The entire acquisition exercise was completed on 9 October 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

10. SIGNIFICANT AND SUBSEQUENT EVENT (CONTINUED)

Issuance of free Warrants

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

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

The Issuance of Free Warrants was approved by the shareholders of AWC at the Extraordinary General Meeting held on 27 November 2018. Subsequently, the Free Warrants were allotted and listed on 2 January 2019.

No material events subsequent to 31 December 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

On 9th October 2018, AWC completed the acquisitions of Trackwork & Supplies Sdn Bhd., holding 60% equity interest in the company. 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 2018 RM'000	As at 31 December 2017 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,285	1,852
Later than 1 year and not later than 2 years	456	1,179
Later than 2 years and not later than 5 years	155	2,368
Later than 5 years	-	3,324
	1,896	8,723

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

14. PERFORMANCE REVIEW BY SEGMENTS

Revenue	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding period ended
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Facilities	47,737	39,998	89,850	75,527
Environment	17,800	12,348	32,759	27,443
Engineering	19,155	24,353	37,303	45,973
Investment holdings	375	(2,685)	750	(2,310)
Rail	8,288	-	8,288	-
Others	-	3	-	3
Total	93,355	74,017	168,950	146,636
Less: Elimination	(7,408)	(5,664)	(14,511)	(12,079)
Consolidated Total	85,947	68,353	154,439	134,557

Profit before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding period ended
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Facilities	4,787	4,701	10,359	9,559
Environment	3,044	1,016	5,787	3,907
Engineering	1,305	1,671	2,506	1,780
Investment holdings	(398)	(3,344)	(727)	(3,116)
Rail	3,149	-	3,149	-
Others	(49)	(89)	(83)	(119)
Total	11,838	3,955	20,991	12,011
Less: Elimination	-	3,059	-	3,060
Consolidated Total	11,838	7,014	20,991	15,071

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q2/FY19 amounted to RM47.7m, compared to RM42.1m in Q1/FY19. The increase of RM5.6m/13% was mainly attributable to further revenue recognition from the Capital Asset Refurbishment Programme (“CARP”).

Nevertheless, the segment’s PBT for Q2/FY19 decreased to RM4.8m from RM5.6m in Q1/FY19 mainly attributable to lower gross margin arising from non-recurring unbudgeted costs of RM1.3m associated with CARP and the demobilization from certain sites.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q2/FY19 increased by RM7.7m/19.3% as compared to preceding year corresponding quarter Q2/FY18. This was attributable to the full revenue recognition from the (4) projects in Putrajaya as well as CARP in the current quarter under review.

Despite the higher revenue, the segment only recorded a slight increase in PBT for the current quarter Q2/FY19 vs preceding year corresponding quarter Q2/FY18 by RM86k/1.8% due to the non-recurring unbudgeted costs of RM1.3m as mentioned above.

14.2 Environment Division

QoQ

Revenue for Q2/FY19 amounted to RM17.8m, compared to RM15.0m for Q1/FY19, an increase of RM2.8m/18.7%. The increase was contributed by the positive progress recognition from on-going projects.

Consequent to the above, PBT in Q2/FY19 amounted to RM3.0m, an increase of RM0.3m/11.1% as compared to RM2.7m in Q1/FY19.

Current quarter vs preceding year corresponding quarter

Increase in the revenue of RM5.4m/44% for the current quarter under review Q2/FY19 as compared to preceding year corresponding quarter Q2/FY18 was attributable to positive project progress mainly from Malaysia as well as Singapore region.

Consequent to the above and with higher margin recorded, the PBT of the division also increased by RM2.0m/>100% in current quarter Q2/FY19 against preceding year corresponding quarter Q2/FY18.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division

QoQ

Revenue in Q2/FY19 amounted to RM19.2m compared to RM18.1m in Q1/FY19, an increase of RM1.1m/6.1%. The increase was mainly due to the positive projects progress undertaken by the aircond as well as plumbing segment.

The division reported a PBT of RM1.3m in Q2/FY19 as compared to RM1.2m in Q1/FY19, an increase of RM0.1m/8%, which was primarily attributable to better project progress recorded in the current quarter under review.

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM5.2m/-21.3% in the current quarter Q2/FY19 against preceding year corresponding quarter Q2/FY18 mainly attributable by the completion of a few major projects in aircond division .

In line with the lower revenue, the PBT had decreased by RM0.37m/-21.9% in current quarter Q2/FY19 against preceding year corresponding quarter Q2/FY18 under review.

14.4 Rail Division

QoQ

No comparison available as this division is newly acquired by the Company in October 2018. Nonetheless the revenue recorded in Q2/FY19 mainly attributable from the trading revenue.

Current quarter vs preceding year corresponding quarter

No comparison available as this division newly acquired in October 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

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

	Current quarter ended 31 December 2018	Preceding quarter ended 30 September 2018	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	<u>85,947</u>	<u>68,492</u>	<u>17,455</u>
Profit before taxation and zakat	<u>11,838</u>	<u>9,153</u>	<u>2,685</u>

On a QoQ basis, the revenue had improved significantly by RM17.5m/25% arising from higher revenue recognition across all divisions as well as revenue contribution from the newly acquired Rail division amounting to RM8.3m.

Despite the non-recurring unbudgeted costs of RM1.3m recorded by the facilities division, the Group's PBT increased by RM2.7m/29.3% due to the profit contribution from the Rail division.

16. COMMENTARY ON PROSPECTS

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

We set out below our analysis of prospects by Divisions:

16.1 Facilities Division

The Concession Agreement (CA) for the renewal of the maintenance concession for the Southern Region (Johor, Malacca, Negeri Sembilan) and Sarawak was signed in early March 2016. This contract is for 10 years, from 1.1.16 to 31.12.25. Initial rate p.a. is set at approximately RM52 mil for the first 5 years, with automatic increase to RM59 mil p.a. from year 6 to 10.

In addition, together with the new CA, we also signed a contract to undertake the Critical Asset Refurbishment Programme, or CARP, over the next seven years. Under this contract, we are to undertake the CARP over various locations, and based on predetermined timing/schedules. Under this CARP we are to be paid RM140 mil over ten years (the renewed concession period), equaling approximately RM1.16 mil monthly.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.1 Facilities Division (Continued)

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 continuing to contribute positively to our prospects.

16.2 Environment Division

The Environment Division has contracts on hand that will tide it over for the next three financial years. Prospects remain positive for this Division.

16.3 Engineering Division

Air conditioning segment

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

Plumbing segment

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

16.4 Rail Division

The acquisition of 60% in Trackwork & Supplies Sdn. Bhd. ("Trackwork") was completed in early October 2018. Under the terms of the acquisition, the sellers have provided a profit guarantee of RM8mil and RM12mil profit after tax for Trackwork's FYE 30 September 2018 and FYE 30 September 2019 respectively.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 31 December 2018 RM'000	Period to date ended 31 December 2018 RM'000
Profit before taxation and zakat	11,838	20,991
Income tax expense for the year	(2,555)	(4,424)
Effective tax rate	21.6%	21.1%

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

19. CORPORATE PROPOSALS

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

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

The Issuance of Free Warrants has been approved by the shareholders of AWC at the Extraordinary General Meeting of the Company held on 27 November 2018. Subsequently, the Free Warrants were allotted and listed on 2 January 2019.

Other than mentioned above, 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 SECOND QUARTER ENDED 31 DECEMBER 2018

20. BORROWINGS

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Secured short-term borrowings:		
Term loan	1,939	100
Revolving credit	18,950	-
Trade loan	2,730	-
Finance lease payables	981	627
Total short-term borrowings	24,600	727
Secured long-term borrowings:		
Term loan	17,572	-
Finance lease payables	2,302	2,598
Total long-term borrowings	19,874	2,598
Total borrowings	44,474	3,325

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

21. MATERIAL LITIGATION

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

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

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

BUCG had on 30 October 2018 filed its statement of defence and counter claim.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

21. MATERIAL LITIGATION (CONTINUED)

In the following case management held on 14 December 2018, the court gave the following pretrial directions:

- (a) Parties are to file the requested trial documents on or before 22 February 2019;
- (b) The trial date is fixed on 27 May 2019 to 31 May 2019; and
- (c) Third case management is fixed on 22 February 2019

Following case management held on 22 February 2019, the court held that BUCG did not comply with the directions, hence the judge had granted further time for compliance. The judge had, during the case management gave the following directions:

- (a) Parties are to file the requested documents on or before 4 March 2019
- (b) The next case management is fixed on 1 April 2019

The solicitors of Qudotech are of the opinion that Qudotech has a good chance of success in the Claim and to defeat BUCG's counter claim.

22. PROPOSED DIVIDEND

There was no interim dividend has been proposed for the quarter ended 31 December 2018.

23. EARNINGS PER SHARE

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

	Current quarter ended 31 December 2018	Period to date ended 31 December 2018
Profit attributable to owners of the Company (RM'000)	7,004	13,075
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	284,339	276,115
Basic earnings per share (sen)	<u>2.48</u>	<u>4.74</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 SECOND QUARTER ENDED 31 DECEMBER 2018

24. REALISED AND UNREALISED PROFITS

	As at 31 December 2018 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	173,157
- Unrealised	2,664
	<u>175,821</u>
Less: Consolidation adjustments	<u>(104,394)</u>
Total group retained profit as per consolidated accounts	<u>71,427</u>

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 2018 is stated after charging / (crediting) the following items:

	Current quarter ended 31 December 2018 RM'000	Period to date ended 31 December 2018 RM'000
Interest income	(339)	(647)
Other income	(64)	(215)
Interest expense	600	795
Depreciation and amortization	774	1,432
Foreign exchange gain	(56)	(442)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 26 February 2019.