EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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

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.

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 issue, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
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#

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.

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.

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.

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.

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.

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) 14,157,446 ordinary shares were issued at an exercise price of 33.6 sen per share; and
ii) 2,530,612 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 13,466,372 ordinary shares remain unexercised.

From the date of the last report until current quarter under review, in relation to the acquisition of Trackwork & Supplies Sdn. Bhd. ("Trackwork"), the Company had issued 19,287,151 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 March 2019 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 March 2019	3,326,800	855,221

7. DIVIDENDS PAID

No dividend was paid in the current quarter.

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 March 2019 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	5,165	132,005	59,752	50,595	21,609	-	(25,830)	243,296
Profit/(Loss) before tax	3,019	14,330	4,031	9,700	6,174	(91)	(4,040)	33,123
Segment assets	159,038	139,020	79,614	93,652	32,399	87	(128,734)	375,076

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.

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 March 2019 to the date of this report that have not been reflected in the financial statements for current financial period.

11. CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the current quarter under review.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at the date of this report.

13. COMMITMENTS

There were no material commitments which require disclosure in this report except for the following:

	As at 31 March 2019 RM'000	**As at 31 March 2018 RM'000**
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,353	1,796
Later than 1 year and not later than 2 years	934	1,088
Later than 2 years and not later than 5 years	188	2,325
Later than 5 years	-	2,394
	2,475	7,603

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 31 March 2019 RM'000**	**Preceding year corresponding quarter ended 31 March 2018 RM'000**	**Current period to-date ended 31 March 2019 RM'000**	**Preceding year corresponding period ended 31 March 2018 RM'000**
Facilities	42,155	46,286	132,005	121,814
Environment	17,836	13,654	50,595	41,097
Engineering	22,450	26,483	59,752	72,456
Investment holdings	4,415	375	5,165	(1,935)
Rail	13,320	-	21,609	-
Others	-	-	-	3
Total	100,176	86,798	269,126	233,435
Less: Elimination	(11,319)	(11,546)	(25,830)	(23,626)
Consolidated Total	**88,857**	**75,252**	**243,296**	**209,809**

Profit before tax	**Current quarter ended 31 March 2019 RM'000**	**Preceding year corresponding quarter ended 31 March 2018 RM'000**	**Current period to-date ended 31 March 2019 RM'000**	**Preceding year corresponding period ended 31 March 2018 RM'000**
Facilities	3,972	5,076	14,330	14,635
Environment	3,913	4,655	9,700	8,562
Engineering	1,525	1,804	4,031	3,585
Investment holdings	3,746	(311)	3,019	(3,427)
Rail	3,026	-	6,174	-
Others	(11)	(43)	(91)	(162)
Total	16,171	11,181	37,163	23,193
Less: Elimination	(4040)	-	(4,040)	3,060
Consolidated Total	**12,131**	**11,181**	**33,123**	**26,253**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division

Quarter on Quarter ("QoQ")

Revenue for Q3/FY19 amounted to RM42.2m, compared to RM47.7m in Q2/FY19. The revenue decreased by RM5.5m/-12% was mainly attributable to the completion of contracts for several commercial sites in the division during the quarter under review.

Arising from the above, the division's PBT for Q3/FY19 decreased to RM4.0m from RM4.8m in Q2/FY19. Additionally, gross margin was weighed down by non-recurring unbudgeted costs of RM0.8m associated with a non-concession job.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q3/FY19 decreased by RM4.1m/-8.9% as compared to preceding year corresponding quarter Q3/FY18. This was attributable to the completion of contracts for several commercial sites during the quarter under review. Revenue from CARP was RM9.9m during the quarter under review compared to RM10.4m in preceding year corresponding quarter.

Consequently, the division recorded a decrease in PBT for the current quarter Q3/FY19 vs preceding year corresponding quarter Q3/FY18 by RM1.1m/-21.7% which was further weighed down by the non-recurring unbudgeted costs of RM0.8m as mentioned above.

14.2 Environment Division

QoQ

The division's revenue was relatively unchanged for the quarter under review compared to the immediate preceding quarter Q2/FY19, at RM17.8m. The amount was contributed by the positive progress recognition from on-going projects.

However, PBT in Q3/FY19 increased by RM0.9m/28.5% to RM3.9m as compared to RM3.0m in Q2/FY19 due to improved margins arising from more favorable project progress recognitions.

Current quarter vs preceding year corresponding quarter

Increase in the revenue of RM4.2m/31% for the current quarter under review Q3/FY19 as compared to preceding year corresponding quarter Q3/FY18 was attributable to positive project progress mainly from Malaysia as well as Singapore region.

Despite the higher revenue, the PBT of the division decreased by RM0.7m/-16% in current quarter Q3/FY19 against preceding year corresponding quarter Q3/FY18 mainly attributable to higher margin revision assessed in preceding year corresponding quarter.

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division

QoQ

Revenue in Q3/FY19 amounted to RM22.5m compared to RM19.2m in Q2/FY19, an increase of RM3.3m/17.2%. The increase was mainly due to the positive projects progress during the quarter under review.

Arising from the above, the division reported a PBT of RM1.5m in Q3/FY19 as compared to RM1.3m in Q2/FY19, an increase of RM0.2m/17%.

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM4.1m/-9% in the current quarter Q3/FY19 against preceding year corresponding quarter Q3/FY18 was mainly attributable to the completion of several projects undertaken by the aircond segment.

In line with the lower revenue, the PBT decreased by RM0.28m/-15.5% in the current quarter Q3/FY19 against preceding year corresponding quarter Q3/FY18 under review.

14.4 Rail Division

QoQ

Revenue in Q3/FY19 recorded at RM13.3mil compared to RM8.3mil in Q2/FY19, an increase of RM5.0m/61% which was attributable to higher contract fulfillment recorded in current quarter under review.

However, PBT decreased marginally to RM3.0m compared to RM3.2m due to product mix carrying lower margins during the quarter under review.

Current quarter vs preceding year corresponding quarter

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

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

	Current quarter ended 31 March 2019	Preceding quarter ended 31 December 2018	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	88,857	85,947	2,910
Profit before taxation and zakat	12,131	11,838	293

On a QoQ basis, the revenue had improved by RM2.9m/3.4% attributable to better revenue recognition from all divisions except the facilities division.

Despite the lower contribution from the facilities division arising from lower revenue as well as the non-recurring unbudgeted costs of RM0.8m, the Group's PBT increased slightly by RM0.3m/2.5% .

16. COMMENTARY ON PROSPECTS

With one quarter remaining for the current financial year (FY2019), the Board is optimistic that the Group's financial performance will remain positive, underpinned by the Group's strong orderbook balance and ability to replenish it.

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.

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. The profit guarantee for the FYE 30 September 2018 were comfortably met.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 31 March 2019 RM'000	Period to date ended 31 March 2018 RM'000
Profit before taxation and zakat	12,131	33,123
Income tax expense for the year	(2,624)	(7,048)
Effective tax rate	21.6%	21.3%

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

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

20. BORROWINGS

	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
Secured short-term borrowings:		
Term loan	3,603	95
Revolving credit	17,475	-
Trade loan	2,905	-
Finance lease payables	1,072	786
Total short-term borrowings	25,055	881
Secured long-term borrowings:		
Term loan	15,035	-
Finance lease payables	2,049	2,220
Total long-term borrowings	17,084	2,220
Total borrowings	42,139	3,101

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.

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

On 1 April 2019, a Consent Judgement was obtained by QDT and both parties agreed to settle the dispute. In full and final settlement of the QDT's claim and BUCG's counterclaim, BUCG agreed to pay QDT a sum of RM805,757.02 in two instalment payments ending 30 May 2019.

22. DIVIDEND DECLARED

On 14 March 2019, the Company had declared the first interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2019 (2018: Nil) which was paid on 16 May 2019. Other than this, no dividend has been paid and declared in the current quarter.

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 March 2019	**Period to date ended 31 March 2019**
Profit attributable to owners of the Company (RM'000)	6,931	20,007
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	292,516	279,826
Basic earnings per share (sen)	2.37	7.15

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 31 March 2019 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	179,739
- Unrealised	2,767
	182,506
Less: Consolidation adjustments	(105,740)
Total group retained profit as per consolidated accounts	76,766

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATEDSTATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 31 March 2019 is stated after charging / (crediting) the following items:

	Current quarter ended 31 March 2019 RM'000	Period to date ended 31 March 2019 RM'000
Interest income	(371)	(1,018)
Other income	(165)	(380)
Interest expense	639	1,434
Depreciation and amortization	773	2,205
Foreign exchange gain	(199)	(641)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 27 May 2019.