

AWC BERHAD

(Company No. 550098-A)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 30/09/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2018 RM'000	CURRENT PERIOD TO DATE 30/09/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2018 RM'000
Revenue	14	88,789	68,492	88,789	68,492
Cost of sales		(63,231)	(47,224)	(63,231)	(47,224)
Gross profit		25,558	21,268	25,558	21,268
Other operating income		572	536	572	536
Other operating expenses		(13,955)	(12,765)	(13,955)	(12,765)
Profit from operations		12,175	9,039	12,175	9,039
Finance (cost)/income, net		(208)	114	(208)	114
Profit before taxation	14	11,967	9,153	11,967	9,153
Taxation	18	(3,056)	(1,869)	(3,056)	(1,869)
Profit after taxation for the financial period		8,911	7,284	8,911	7,284
Other comprehensive income:					
Foreign currency translation differences		(184)	1,040	(184)	1,040
Total comprehensive income for the financial year		8,727	8,324	8,727	8,324
Profit attributable to:					
Owners of the Company		6,672	6,071	6,672	6,071
Non-controlling interests		2,239	1,213	2,239	1,213
		8,911	7,284	8,911	7,284
Total comprehensive income attributable to:					
Owners of the Company		6,177	6,834	6,177	6,834
Non-controlling interests		2,550	1,490	2,550	1,490
		8,727	8,324	8,727	8,324
Basic earnings per share (sen)	23	2.28	2.25	2.28	2.25

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019**

	Note	(Unaudited)	(Audited)
		AS AT 30/09/2019 RM'000	AS AT 30/6/2019 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,598	17,022
Investment properties		4,590	4,590
Investment in an associate		182	182
Intangible assets - others		1,044	1,044
Intangible assets - goodwill		55,462	55,462
Deferred tax assets		3,479	3,917
		81,355	82,217
CURRENT ASSETS			
Inventories		16,391	17,690
Tax recoverable		2,733	2,958
Other receivables		12,586	7,445
Trade receivables		123,752	122,925
Contract assets		62,688	67,950
Short term investment		21,092	11,514
Deposits with licensed banks, cash and bank balances		55,958	66,529
		295,200	297,011
TOTAL ASSETS		376,555	379,228
EQUITY AND LIABILITIES			
Equity			
Share capital		110,943	110,847
Treasury shares		(855)	(855)
Foreign exchange reserve		4,697	5,192
Revaluation reserve		4,024	4,024
Share option reserve		1,072	1,072
Retained profits		84,731	78,059
Equity attributable to owners of the Company		204,612	198,339
Non-controlling interests		49,600	47,050
Total Equity		254,212	245,389
NON-CURRENT LIABILITIES			
Other payables		353	353
Long term borrowings	20	15,468	16,309
Deferred tax liabilities		411	850
		16,232	17,512
CURRENT LIABILITIES			
Other payables		43,418	21,851
Trade payables		36,776	52,710
Employee benefits		807	773
Provision for taxation		2,058	1,578
Short term borrowings	20	21,209	23,358
Contract liabilities		1,843	16,057
		106,111	116,327
TOTAL LIABILITIES		122,343	133,839
TOTAL EQUITY AND LIABILITIES		376,555	379,228
NET ASSETS PER SHARE (SEN)		69.8	67.7

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

	CURRENT YEAR TO DATE 30/09/2019 RM'000	PREVIOUS PERIOD TO DATE 30/09/2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	11,967	9,153
Adjustments for:		
Allowance for impairment lossess on trade receivables	19	7
Allowance for slow moving inventories	42	15
Reversal of impairment on receivables	(10)	(5)
Depreciation of property, plant and equipment	756	659
Provision for end of service benefit	35	43
Gain on disposal of property, plant and equipment	-	(160)
Unrealised loss/(gain) on foreign exchange	45	(20)
Finance expenses/(income),net	207	(114)
Operating profit before working capital changes	13,061	9,578
Decrease in inventories	1,256	251
Increase in receivables	(715)	(28,164)
(Decrease)/Increase in payables	(8,389)	295
Cash generated from/(used in) operations	5,213	(18,040)
Interest paid	(451)	(195)
Taxes paid	(2,351)	(2,148)
Net cash generated from/ (used in) operating activities	2,411	(20,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short term investment	(9,578)	-
Purchase of property, plant and equipment	(340)	(1,029)
Proceeds from disposals of property, plant and equipment	6	132
Interest received	243	309
Net cash used in investing activities	(9,669)	(588)
CASH FLOWS FOR FINANCING ACTIVITIES		
(Repayment)/Drawdown of revolving credit/term loans	(2,891)	6,163
Repayment of hire purchase and lease payables	(238)	(239)
(Repayment)/Drawdown of trade loan	(98)	2,065
Proceed from exercise of employee share options	95	72
Net cash (used in)/ generated from financing activities	(3,132)	8,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	(10,390)	(12,910)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	66,529	57,048
Effects of exchange differences	(181)	971
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	55,958	45,109
Cash and cash equivalents comprise:		
Cash and bank balances	32,435	25,285
Deposits with licensed bank	23,523	19,824
	55,958	45,109

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2019.

The accompanying notes are an integral part of this statement.

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(Company No. 550098-A)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

	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
30 September 2019									
At 1 July 2019	110,847	(855)	5,192	4,024	1,072	78,059	198,339	47,050	245,389
Other comprehensive income for the financial year	-	-	-	-	-	6,672	6,672	2,239	8,911
- Foreign currency translation reserve	-	-	(495)	-	-	-	(495)	311	(184)
Total comprehensive income for the financial year	-	-	(495)	-	-	6,672	6,177	2,550	8,727
Transaction with owners:									
- Exercise of employee share options	96	-	-	-	-	-	96	-	96
At 30 September 2019	110,943	(855)	4,697	4,024	1,072	84,731	204,612	49,600	254,212
30 September 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	-	-	-	-	-	6,071	6,071	1,213	7,284
- Foreign currency translation reserve	-	-	763	-	-	-	763	277	1,040
Total comprehensive income for the financial year	-	-	763	-	-	6,071	6,834	1,490	8,324
Transaction with owners:									
- Exercise of employee share options	105	-	-	-	-	-	105	-	105
- Value of employees' services pursuant to ESOS	-	-	-	-	(33)	-	(33)	-	(33)
At 30 September 2018	94,946	(855)	5,177	4,024	1,477	65,843	170,612	37,523	208,135

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 2019.

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2019.

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 2019.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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
<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 FIRST QUARTER ENDED 30 SEPTEMBER 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)

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 2019 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) 14,575,546 ordinary shares were issued at an exercise price of 33.6 sen per share;
and
- ii) 2,798,912 ordinary shares were issued at an exercise price of 42.3 sen per share;
and
- iii) 450,150 ordinary shares were issued at an exercise price of 72.3 sen per share;
and
- iv) 100,000 ordinary shares were issued at an exercise price of 75.1 sen per share

Options to subscribe for 12,273,172 ordinary shares remain unexercised.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

6. DEBT AND EQUITY SECURITIES (CONTINUED)

Treasury Shares

The number of treasury shares held as at 30 September 2019 is as follows:-

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2019	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 30 September 2019	3,326,800	855,221

7. DIVIDENDS PAID

No dividend has been paid in the current quarter.

8. SEGMENTAL INFORMATION

The segment information for the current period ended 30 September 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	375	42,238	16,878	14,409	20,410	-	(5,521)	88,789
Profit/(Loss) before tax	(283)	5,017	365	1,652	5,228	(12)	-	11,967
Segment assets	150,506	151,228	73,282	95,030	40,245	15	(133,751)	376,555

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 30 September 2019 to the date of this report that have not been reflected in the financial statements for current financial period.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 30 September 2019 RM'000	As at 30 September 2018 RM'000
	<u> </u>	<u> </u>
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,538	1,443
Later than 1 year and not later than 2 years	561	489
Later than 2 years and not later than 5 years	88	101
	<u>2,187</u>	<u>2,033</u>

AWC BERHAD

(Company No. 550098-A)



EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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	Preceding year	Current period	Preceding year
	ended	corresponding	to-date ended	corresponding
	30 September	quarter ended	30 September	year ended
	2019	30 September	2019	30 September
	RM'000	2018	RM'000	2018
		RM'000		RM'000
Facilities	42,238	42,114	42,238	42,114
Environment	14,409	14,959	14,409	14,959
Engineering	16,878	18,147	16,878	18,147
Investment holdings	375	375	375	375
Rail	20,410	-	20,410	-
Total	94,310	75,595	94,310	75,595
Less: Elimination	(5,521)	(7,103)	(5,521)	(7,103)
Consolidated Total	88,789	68,492	88,789	68,492

Profit before tax	Current quarter	Preceding year	Current period	Preceding year
	ended	corresponding	to-date ended	corresponding
	30 September	quarter ended	30 September	year ended
	2019	30 September	2019	30 September
	RM'000	2018	RM'000	2018
		RM'000		RM'000
Facilities	5,017	5,571	5,017	5,571
Environment	1,652	2,743	1,652	2,743
Engineering	365	1,201	365	1,201
Investment holdings	(283)	(328)	(283)	(328)
Rail	5,228	-	5,228	-
Others	(12)	(34)	(12)	(34)
Total	11,967	9,153	11,967	9,153
Less: Elimination	-	-	-	-
Consolidated Total	11,967	9,153	11,967	9,153

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)**14.1 Facilities Division****Quarter on Quarter (“QoQ”)**

Revenue for Q1/FY20 amounted to RM42.2m, compared to RM37.8m in Q4/FY19. The revenue increased by RM4.4m/11.6% was mainly attributable to commencement of new commercial projects during the quarter under review.

Arising from the above, the division’s PBT for Q1/FY20 increased to RM5.0m from RM1.9m in Q4/FY19.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY20 was marginally higher by RM0.12m/0.29% against preceding year corresponding quarter Q1/FY19.

Nonetheless, the PBT decreased for the current quarter Q1/FY20 vs preceding year corresponding quarter Q1/FY19 by RM0.6m/-9.9% due to higher operating costs during the quarter under review.

14.2 Environment Division**QoQ**

The division’s revenue was lower for the quarter under review at RM14.4m compared to the immediate preceding quarter Q4/FY19, at RM17.1m. The reduction was mainly attributable to slower than expected projects progress in Malaysia and Singapore during the quarter under review.

Consequent to the above, the PBT in Q1/FY20 decreased by RM1.6m/-49.2% to RM1.6m as compared to RM3.2m in Q4/FY19.

Current quarter vs preceding year corresponding quarter

The decrease in the revenue of RM0.5m/-3.7% for the current quarter under review Q1/FY20 against to preceding year corresponding quarter Q1/FY19 was attributable to slower than expected projects progress in Malaysia and Singapore during the quarter under review .

Consequent to the above, the PBT of the division decreased by RM1.1m/-39.8% in the current quarter Q1/FY20 against preceding year corresponding quarter Q1/FY19 compounded by the lower other income derived from the foreign exchange (RM0.3m) as well as higher operating costs (RM0.4m).

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division

QoQ

Revenue in Q1/FY20 amounted to RM16.9m compared to RM19.1m in Q4/FY19, a decrease of RM2.2m/-11.5%. The decrease was mainly attributable to lower progress recognition from on-going projects across all segments of the division during the quarter under review.

Despite the lower revenue, the division reported a higher PBT of RM0.4m due to more favorable margins recorded during the quarter under review.

Current quarter vs preceding year corresponding quarter

Decrease in the revenue of RM1.3m/-7.0% in the current quarter Q1/FY20 against preceding year corresponding quarter Q1/FY19 was mainly attributable to lower contribution from the Aircond segment, partly mitigated by improved project progress of the Plumbing segment.

Arising from the above and compounded by lower margins during the quarter under review, the PBT of the division decreased by RM0.8m/-69.6% against the preceding year corresponding quarter Q1/FY19.

14.4 Rail Division

QoQ

Revenue in Q1/FY20 recorded at RM20.4m compared to RM11.2m in Q4/FY19, an increase of RM9.2m/82.14% which was attributable to positive progress in several projects recorded in current quarter under review.

Correspondingly, PBT also increased to RM5.2m compared to RM1.6m.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

	Current quarter ended 30 September 2019	Preceding quarter ended 30 June 2019	Variance Favorable
	RM'000	RM'000	RM'000
Revenue	<u>88,789</u>	<u>79,760</u>	<u>9,029</u>
Profit before taxation and zakat	<u>11,967</u>	<u>2,965</u>	<u>9,002</u>

On a QoQ basis, the revenue increased by RM9.0m/11.3% was mainly attributable to higher revenue recorded by the facilities and rail divisions as mentioned in the above.

In addition to the above, PBT for the quarter under review increased significantly RM9.0m/>100% from the profit contributions of the facilities and rail division while the immediate preceding quarter's performance had been weighed down by cost overruns in a project undertaken by the aircond segment of the Engineering division (RM1.3m), deferred revenue recognition arising from MFRS 15 (RM0.5m), patent registration and maintenance costs (RM0.9m) from the Environment division as well as a one-time amortization charge against intangible assets computed pursuant to MFRS 3, arising from the acquisition of Trackwork and Supplies Sdn Bhd which was completed during the year (RM3.0m).

16. COMMENTARY ON PROSPECTS

While the Group managed a commendable performance during the first quarter of the new financial year, the Board remains cautiously optimistic of the Group's performance for the year ahead which will largely be underpinned by the Group's robust orderbook.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2019

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 continue 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**

As most of the major projects undertaken by this segment are nearly completed, it will continue to undertake inter segment jobs from the facilities division. In the meantime, the Management is currently reviewing new business possibilities for the segment to undertake in the future.

Plumbing segment

Projects undertaken by the segment are expected to continue recording decent progress and are expected to continue contributing positively over the next three financial years.

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.

Although some of the projects undertaken had been delayed due to design changes and renegotiations, the division actively explores new opportunities and products to be introduced to the domestic as well as regional markets.

AWC BERHAD

(Company No. 550098-A)



EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 30 September 2019 RM'000	Period to date ended 30 September 2019 RM'000
Profit before taxation and zakat	11,967	11,967
Income tax expense for the year	(3,056)	(3,056)
Effective tax rate	25.5%	25.5%

The effective tax rate for the Group for period to date is higher than the statutory tax rate mainly due to loss contribution from the aircond segments.

19. CORPORATE PROPOSALS

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

20. BORROWINGS

	As at 30 September 2019 RM'000	As at 30 September 2018 RM'000
Secured short-term borrowings:		
Term loan	3,509	1,515
Revolving credit	15,475	6,000
Trade loan	1,171	2,901
Finance lease payables	1,054	860
Total short-term borrowings	21,209	11,276
Secured long-term borrowings:		
Term loan	13,632	8,095
Finance lease payables	1,836	2,313
Total long-term borrowings	15,468	10,408
Total borrowings	36,677	21,684

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

21. MATERIAL LITIGATION

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

22. DIVIDEND DECLARED

The Board of Directors has proposed the final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2019. The proposed dividend has been approved by the shareholders at the Eighteenth Annual General Meeting of the Company held on 28 November 2019 and will be paid on 31 December 2019 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 16 December 2019.

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 September 2019	Period to date ended 30 September 2019
Profit attributable to owners of the Company (RM'000)	6,672	6,672
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	293,131	293,131
Basic earnings per share (sen)	2.28	2.28

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 September 2019 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	184,778
- Unrealised	3,023
	187,801
Less: Consolidation adjustments	(103,070)
Total group retained profit as per consolidated accounts	84,731

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 30 September 2019 is stated after charging / (crediting) the following items:

	Current quarter ended 30 September 2019
	RM'000
Interest income	(243)
Other income	(194)
Interest expense	451
Depreciation and amortization	756
Foreign exchange gain	(377)

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 28 November 2019.