

# AWC BERHAD

(Company No. 550098-A)



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MARCH 2020

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 31/03/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2019 RM'000	CURRENT PERIOD TO DATE 31/03/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2019 RM'000
Revenue	14	71,803	88,857	240,208	243,296
Cost of sales		(54,453)	(63,358)	(181,298)	(170,598)
<b>Gross profit</b>		<b>17,350</b>	<b>25,499</b>	<b>58,910</b>	<b>72,698</b>
Other operating income		360	364	1,052	1,021
Other operating expenses		(11,298)	(13,464)	(38,600)	(40,180)
<b>Profit from operations</b>		<b>6,412</b>	<b>12,399</b>	<b>21,362</b>	<b>33,539</b>
Finance income/(costs), net		20	(268)	(459)	(416)
<b>Profit before taxation</b>	<b>14</b>	<b>6,432</b>	<b>12,131</b>	<b>20,903</b>	<b>33,123</b>
Taxation	18	(1,380)	(2,624)	(6,135)	(7,048)
<b>Profit after taxation for the financial period</b>		<b>5,052</b>	<b>9,507</b>	<b>14,768</b>	<b>26,075</b>
<b>Other comprehensive income:</b>					
Foreign currency translation differences		590	270	212	1,363
<b>Total comprehensive income for the financial period</b>		<b>5,642</b>	<b>9,777</b>	<b>14,980</b>	<b>27,438</b>
<b>Profit attributable to:</b>					
Owners of the Company		4,063	6,931	11,099	20,007
Non-controlling interests		989	2,576	3,669	6,068
		<b>5,052</b>	<b>9,507</b>	<b>14,768</b>	<b>26,075</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		4,318	6,727	11,159	20,605
Non-controlling interests		1,324	3,050	3,821	6,833
		<b>5,642</b>	<b>9,777</b>	<b>14,980</b>	<b>27,438</b>
<b>Basic earnings per share (sen)</b>	<b>23</b>	<b>1.39</b>	<b>2.37</b>	<b>3.79</b>	<b>7.15</b>

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 THIRD QUARTER ENDED 31 MARCH 2020**

	Note	(Unaudited)	(Audited)
		AS AT 31/03/2020 RM'000	AS AT 30/6/2019 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		16,904	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	0	3,964	3,917
		<b>82,146</b>	<b>82,217</b>
<b>CURRENT ASSETS</b>			
Inventories		20,938	17,690
Tax recoverable		2,707	2,958
Other receivables		13,574	7,445
Trade receivables		135,453	122,925
Contract assets		39,982	67,950
Short term investment		13,772	11,514
Deposits with licensed banks, cash and bank balances		61,173	66,529
		<b>287,599</b>	<b>297,011</b>
<b>TOTAL ASSETS</b>		<b>369,745</b>	<b>379,228</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		111,752	110,847
Treasury shares		(1,287)	(855)
Foreign exchange reserve		5,252	5,192
Revaluation reserve		4,024	4,024
Share option reserve		1,072	1,072
Retained profits		84,736	78,059
<b>Equity attributable to owners of the Company</b>		<b>205,549</b>	<b>198,339</b>
Non-controlling interests		48,911	47,050
<b>Total Equity</b>		<b>254,460</b>	<b>245,389</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		353	353
Long term borrowings	20	24,359	16,309
Deferred tax liabilities		454	850
		<b>25,166</b>	<b>17,512</b>
<b>CURRENT LIABILITIES</b>			
Other payables		24,071	21,851
Trade payables		37,994	52,710
Employee benefits		885	773
Provision for taxation		921	1,578
Short term borrowings	20	23,285	23,358
Contract liabilities		2,963	16,057
		<b>90,119</b>	<b>116,327</b>
<b>TOTAL LIABILITIES</b>		<b>115,285</b>	<b>133,839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>369,745</b>	<b>379,228</b>
<b>NET ASSETS PER SHARE (SEN)</b>		<b>69.8</b>	<b>67.7</b>

The Condensed Consolidated Statement of Financial Position 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 CASH FLOWS  
FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

	<b>CURRENT PERIOD TO DATE</b>	<b>PREVIOUS PERIOD TO DATE</b>
	<b>31/03/2020 RM'000</b>	<b>31/03/2019 RM'000</b>
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Profit before taxation	20,903	33,123
Adjustments for:		
Allowance for impairment losses on trade receivables	250	22
Allowance for slow moving inventories	127	117
Reversal of impairment on receivables	(27)	(12)
Depreciation of property, plant and equipment	2,215	2,205
Provision for end of service benefit	112	85
Gain on disposal of property, plant and equipment	(113)	(155)
Unrealised loss on foreign exchange	(207)	(160)
Finance expenses, net	459	416
<b>Operating profit before working capital changes</b>	<b>23,719</b>	<b>35,641</b>
(Increase)/Decrease in inventories	(3,376)	908
Decrease/(Increase) in receivables	9,088	(36,728)
(Decrease)/Increase in payables	(24,716)	17,087
<b>Cash generated from operations</b>	<b>4,715</b>	<b>16,908</b>
Interest paid	(1,459)	(1,434)
Taxes paid	(6,982)	(9,494)
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,726)</b>	<b>5,980</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow from acquisition of subsidiaries	-	(12,217)
Purchase of short term investment	(2,258)	-
Purchase of property, plant and equipment	(2,031)	(2,290)
Proceeds from disposals of property, plant and equipment	87	234
Increase of investment in subsidiaries by non-controlling interests	-	6,136
Interest received	1,000	1,018
<b>Net cash used in investing activities</b>	<b>(3,202)</b>	<b>(7,119)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Drawdown of revolving credit/term loans	5,853	26,614
Repayment of hire purchase and lease payables	(716)	(716)
Drawdown of trade loan	2,126	2,069
Proceed from exercise of employee share options	905	1,515
Dividends paid to owners	(4,422)	(1,420)
Dividends paid to non-controlling interest	(1,960)	(1,960)
Repurchase of treasury shares	(432)	-
<b>Net cash generated from financing activities</b>	<b>1,354</b>	<b>26,102</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,574)</b>	<b>24,963</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>66,529</b>	<b>57,048</b>
Effects of exchange differences	218	923
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>61,173</b>	<b>82,934</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	37,360	58,201
Deposits with licensed bank	23,813	24,733
	<b>61,173</b>	<b>82,934</b>

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.

# AWC BERHAD

(Company No. 550098-A)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2020

	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
<b>31 March 2010</b>									
At 1 July 2019	110,847	(855)	5,192	4,024	1,072	78,059	198,339	47,050	245,389
Repurchase of treasury shares	-	(432)	-	-	-	-	(432)	-	(432)
Other comprehensive income for the financial year	-	-	-	-	-	11,099	11,099	3,669	14,768
- Foreign currency translation reserve	-	-	60	-	-	-	60	152	212
Total comprehensive income for the financial year	-	-	60	-	-	11,099	11,159	3,821	14,980
Transaction with owners:	-	-	-	-	-	-	-	-	-
- Exercise of employee share options	905	-	-	-	-	-	905	-	905
- Dividends paid on shares to owner of the company	-	-	-	-	-	(4,422)	(4,422)	-	(4,422)
- Dividends paid on shares to Non-controlling interest	-	-	-	-	-	-	-	(1,960)	(1,960)
<b>At 31 March 2020</b>	<b>111,752</b>	<b>(1,287)</b>	<b>5,252</b>	<b>4,024</b>	<b>1,072</b>	<b>84,736</b>	<b>205,549</b>	<b>48,911</b>	<b>254,460</b>
<b>31 March 2019</b>									
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	-	-	-	-	-	20,007	20,007	6,068	26,075
- Foreign currency translation reserve	-	-	598	-	-	-	598	765	1,363
Total comprehensive income for the financial year	-	-	598	-	-	20,007	20,605	6,833	27,438
Transaction with owners:	-	-	-	-	-	-	-	-	-
- Exercise of employee share options	1,515	-	-	-	-	-	1,515	-	1,515
- Issuance of shares for acquisition of a subsidiary	17,500	-	-	-	-	-	17,500	-	17,500
- Dividends paid on shares to owner of the Company	-	-	-	-	-	(1,420)	(1,420)	-	(1,420)
- Dividends paid on shares to non-controlling interests	-	-	-	-	-	-	-	(1,960)	(1,960)
- Non controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	-	5,845	5,845
- MFRS 15 adjustment	-	-	-	-	-	(1,592)	(1,592)	-	(1,592)
<b>At 31 March 2019</b>	<b>113,856</b>	<b>(855)</b>	<b>5,012</b>	<b>4,024</b>	<b>1,510</b>	<b>76,767</b>	<b>200,314</b>	<b>46,751</b>	<b>247,065</b>

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.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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 THIRD QUARTER ENDED 31 MARCH 2020**

**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 <sup>#</sup>
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 <sup>#</sup>
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7 Financial Instruments: Disclosures	1 January 2021 <sup>#</sup>
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 <sup>#</sup>
MFRS 101 Presentation of Financial Statements	1 January 2020*
MFRS 107 Statements of Cash Flows	1 January 2021 <sup>#</sup>
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 <sup>#</sup>
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 <sup>#</sup>
MFRS 134 Interim Financial Reporting	1 January 2020*
MFRS 136 Impairment of Assets	1 January 2021 <sup>#</sup>
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 <sup>#</sup>

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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.



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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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) 16,746,486 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 2,987,112 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 8,663,532 ordinary shares remain unexercised.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**6. DEBT AND EQUITY SECURITIES (CONTINUED)**

Treasury Shares

The number of treasury shares held as at 31 March 2020 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	1,301,900	431,860
Balance of treasury shares as at 31 March 2020	4,628,700	1,287,081

**7. DIVIDENDS PAID**

On 3 April 2020, the Company paid a first interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2020 (2019: Nil) amounting to approximately RM1.5m (2019: RM Nil). Other than this, no dividend has been paid in the current quarter under review.

**8. SEGMENTAL INFORMATION**

The segment information for the current period ended 31 March 2020 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	4,840	131,524	52,305	43,684	27,470	-	(19,615)	240,208
Profit/(Loss) before tax	2,549	12,851	(2,505)	5,008	5,065	(25)	(2,040)	20,903
Segment assets	148,895	159,495	76,273	91,368	34,982	14	(141,282)	369,745

**9. CARRYING AMOUNT OF REVALUED ASSETS**

Not Applicable.

**10. SIGNIFICANT AND SUBSEQUENT EVENT**

No material events subsequent to 31 March 2020 to the date of this report that have not been reflected in the financial statements for current financial period.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**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:

	<b>As at 31 March 2020 RM'000</b>	<b>As at 31 March 2019 RM'000</b>
	<hr/>	<hr/>
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,403	1,353
Later than 1 year and not later than 2 years	414	934
Later than 2 years and not later than 5 years	23	188
	<hr/>	<hr/>
	<b>1,840</b>	<b>2,475</b>
	<hr/>	<hr/>

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**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 year ended
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	40,568	42,155	131,524	132,005
Environment	14,823	17,836	43,684	50,595
Engineering	18,790	22,450	52,305	59,752
Investment holdings	2,050	4,415	4,840	5,165
Rail	1,750	13,320	27,470	21,609
Total	77,981	101,176	259,823	269,126
Less: Elimination	(6,178)	(11,319)	(19,615)	(25,830)
<b>Consolidated Total</b>	<b>71,803</b>	<b>88,857</b>	<b>240,208</b>	<b>243,296</b>

Profit before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	2,359	3,972	12,851	14,330
Environment	2,928	3,913	5,008	9,700
Engineering	638	1,525	(2,505)	4,031
Investment holdings	1,253	3,746	2,549	3,019
Rail	(739)	3,026	5,065	6,174
Others	(7)	(11)	(25)	(91)
Total	6,432	16,171	22,943	37,163
Less: Elimination	-	(4,040)	(2,040)	(4,040)
<b>Consolidated Total</b>	<b>6,432</b>	<b>12,131</b>	<b>20,903</b>	<b>33,123</b>

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)**

**14.1 Facilities Division**

**Quarter on Quarter (“QoQ”)**

Revenue for Q3/FY20 amounted to RM40.6m, compared to RM48.7m in Q2/FY20. The decreased in revenue by RM8.1m/-16.6% was mainly attributable to lower CARP revenue recognition as well as lower recognition from commercial clients during the current quarter under review.

Arising from the above, the division’s PBT for Q3/FY20 decreased to RM2.4m from RM5.5m in Q2/FY20.

**Current quarter vs preceding year corresponding quarter**

The revenue for the current quarter Q3/FY20 was lower by RM1.6m/-3.8% against preceding year corresponding quarter Q3/FY19 which was attributable to lower CARP revenue recognition but mitigated with the replenishment of new contract under healthcare segments during current quarter under review.

Consequent to the above, the PBT had also decreased by RM1.6m/-40.6% in the current quarter Q3/FY20 against preceding year’s corresponding quarter Q3/FY19.

**14.2 Environment Division**

**QoQ**

The division’s revenue for the current quarter under review was marginally higher at RM14.8m compared to the immediate preceding quarter Q2/FY20, at RM14.4m largely due to continued slower than expected progress from projects

Nonetheless, the PBT had increased by RM2.5m/>100.0% i.e from RM0.4m in Q2/FY20 to RM2.9m in Q3/FY20 resulted from effective cost management during the quarter under review.

**Current quarter vs preceding year corresponding quarter**

The decrease in the revenue of RM3.0m/-16.9% for the current quarter under review Q3/FY20 against to preceding year corresponding quarter Q3/FY19 was attributable to continued slower than expected projects progress in Malaysia and Singapore during the quarter under review.

Consequent to the above, PBT of the division decreased by RM1.0m/-25.2% in Q3/FY20 against preceding year corresponding quarter Q3/FY19.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)**

**14.3 Engineering Division**

**QoQ**

Revenue for Q3/FY20 amounted to RM18.8m compared to RM16.6m in Q2/FY20, an increase of RM2.2m/13.3%. The increase was mainly attributable to projects progress of the plumbing segment as well as higher trading revenue from the Singapore division during current quarter under review.

The division recorded a PBT of RM0.6m in Q3/FY20 against LBT of RM3.5m in Q2/FY20, which was weighed down by the Aircond segment in the previous preceding quarter.

**Current quarter vs preceding year corresponding quarter**

Decrease in the revenue of RM3.7m/-16.3% in the current quarter Q3/FY20 against preceding year corresponding quarter Q3/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, the division recorded a PBT of RM0.6m in Q3/FY20 against PBT of RM1.5m in preceding year corresponding quarter Q3/FY19.

**14.4 Rail Division**

**QoQ**

Revenue for Q3/FY20 was RM1.7m compared to RM5.3m in Q2/FY20, a decrease of RM3.6m/-67.9% which was attributable to slower than expected project progress and rescheduling of deliveries during the current quarter under review.

Consequently, the division recorded a LBT of RM0.7m during the quarter under review compared to a PBT of RM0.6m in Q2/FY20, a decrease of RM1.3/->100%.

**Current quarter vs preceding year corresponding quarter**

Revenue decreased by RM11.6m/-86.9% from RM13.3m in Q3/FY19 to RM1.8m in Q3/FY20 due to slower than expected project progress and rescheduling of deliveries during the current quarter under review.

Arising from the above and further weighed down by lower margin, the division recorded a LBT of RM0.7m in Q3/FY20 against PBT of RM3.0m in Q3/FY19, a decrease of RM3.7m/->100%.



**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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

	Current quarter ended 31 March 2020	Preceding quarter ended 31 December 2019	Variance (Adverse)/ Favorable
	RM'000	RM'000	RM'000
Revenue	<u>71,803</u>	<u>79,617</u>	<u>(7,814)</u>
Profit before taxation and zakat	<u>6,432</u>	<u>2,503</u>	<u>3,929</u>

On a QoQ basis, revenue decreased by RM7.8m/-9.8% mainly attributable to lower revenue recorded by facilities as well the rail division, as mentioned in the above.

Nonetheless, PBT for the quarter under review had increased by RM3.9m/>100% attributable to the effective operating cost management undertaken by Environment division as well as less adverse issues arising from the Aircond segment of the Engineering divisions as highlighted in the segmental analysis above.

**16. COMMENTARY ON PROSPECTS**

The Board is cautious of the Group's performance for the final quarter of the current financial year in view of the Covid19 pandemic that had afflicted the country resulting in the Government's implementation of a MCO (Movement Control Order) since 18 March 2020.

Projects undertaken by the Group's Engineering, Environment and Rail Divisions have had to comply and conform with the MCO with only the Facilities Division remaining operational. We are hopeful that projects will recommence smoothly under the CMCO (Conditional Movement Control Order). The Management has stepped up various cost realignment initiatives including but not limited to pay and hiring freeze until the situation returns to some level of normalcy. These initiatives along with the Group's robust orderbook and financial resources are expected to carry the Group through these challenging times.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**16. COMMENTARY ON PROSPECTS (CONTINUED)**

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 RM59m 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 RM140m over ten years (the renewed concession period), equaling approximately RM1.16m monthly.

These two contracts significantly improve the Group's long-term prospects. We expect positive contribution to our revenue and profit performance from our CARP contract over the next several years.

Also, we currently undertake certain maintenance contracts in the commercial and healthcare segments where these contracts are generally for two to five year periods. We expect these contracts to continue to contribute positively to our prospects.

During this period of Covid19, the Division remains operational as its services are gazetted as essential services. Additionally, the Division had signed on to distribute a range of reputable sanitizing equipment and materials which further enhances its offering of disinfection and sanitization services.

**16.2 Environment Division**

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

During this period of Covid19, projects undertaken in Malaysia and Singapore have had to comply and conform with the MCO and Circuit Breaker respectively. However, services and maintenance remain in operations as these are considered essential services. Projects in the Middle East are not as severely impacted since construction works are still progressing albeit on shortened work hours as allowable by the authorities there.

Prospects remain positive for this Division as we expect projects progress and recognition to recommence in due time.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**16. COMMENTARY ON PROSPECTS (CONTINUED)**

**16.3 Engineering Division**

**Air conditioning segment**

As projects undertaken by this segment have largely entered into Defects Liability Period (DLP) with no new tender/project participations, we do not expect further material negative contributions from this segment moving forward. Additionally, the Management has streamlined and rationalized the operational cost structure of this segment to be in line with serving out the existing projects which are now in DLP.

**Plumbing segment**

Projects undertaken by the segment have been impacted by the Covid19 pandemic and the arising MCO. However, most of the projects are expected to recommence during the CMCO and will 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 RM8m and RM12m 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 was 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.

The Covid19 and arising MCO and subsequent CMCO is expected to weigh on the Division's performance as it disrupts progress of projects as well as its supply chain. We are hopeful of the Division's performance returning on track once the current challenges have been overcome.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**17. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

**18. INCOME TAX EXPENSE**

	Current quarter ended 31 March 2020 RM'000	Period to date ended 31 December 2019 RM'000
Profit before taxation and zakat	6,432	20,903
Income tax expense for the year	(1,380)	(6,135)
Effective tax rate	21.5%	29.3%

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 Engineering division's Aircond segment.

**19. CORPORATE PROPOSALS**

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

**20. BORROWINGS**

	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000
Secured short-term borrowings:		
Term loan	3,292	3,603
Revolving credit	15,475	17,475
Trade loan	3,395	2,905
Finance lease payables	1,123	1,072
Total short-term borrowings	23,285	25,055
Secured long-term borrowings:		
Term loan	22,825	15,035
Finance lease payables	1,534	2,049
Total long-term borrowings	24,359	17,084
Total borrowings	47,644	42,139

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

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**21. MATERIAL LITIGATION**

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

**22. DIVIDEND DECLARED**

On 25 February 2020, the Company had declared the first interim single tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2020 (2019: 0.5 sen) which was paid on 3 April 2020. 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:

	<b>Current quarter ended 31 March 2020</b>	<b>Period to date ended 31 March 2020</b>
Profit attributable to owners of the Company (RM'000)	4,063	11,099
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	294,279	292,872
Basic earnings per share (sen)	<u>1.39</u>	<u>3.79</u>

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**

	<b>As at 31 March 2020 RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- Realised	183,558
- Unrealised	3,718
	<u>187,276</u>
Less: Consolidation adjustments	(102,540)
Total group retained profit as per consolidated accounts	<u>84,736</u>

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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**25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Profit from operations is for the current quarter and period to-date ended 31 March 2020 is stated after charging / (crediting) the following items:

	<b>Current quarter ended 31 March 2020 RM'000</b>	<b>Period to date ended 31 March 2020 RM'000</b>
Interest income	(485)	(1,000)
Other income	(253)	(584)
Interest expense	465	1,459
Depreciation and amortization	730	2,215
Foreign exchange gain	(107)	(468)

**26. AUTHORISATION FOR ISSUE**

This interim financial report has been approved by the Board of Directors of the Company for issuance on 19 May 2020.