

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 31/12/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2019 RM'000	CURRENT PERIOD TO DATE 31/12/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2019 RM'000
Revenue	13	90,235	79,617	166,256	168,406
Cost of sales		(66,575)	(63,615)	(122,692)	(126,846)
Gross profit		23,660	16,002	43,564	41,560
Other operating income		704	120	2,464	691
Other operating expenses		(7,627)	(13,347)	(19,621)	(27,302)
Profit from operations		16,737	2,775	26,407	14,949
Finance cost, net		(43)	(272)	(39)	(479)
Profit before taxation	13	16,694	2,503	26,368	14,470
Taxation	17	(2,152)	(1,699)	(3,735)	(4,755)
Profit after taxation for the financial period		14,542	804	22,633	9,715
Other comprehensive income:					
Foreign currency translation differences		(581)	(194)	(1,464)	(378)
Total comprehensive income for the financial period		13,961	610	21,169	9,337
Profit attributable to:					
Owners of the Company		11,222	363	16,849	7,035
Non-controlling interests		3,320	441	5,784	2,680
		14,542	804	22,633	9,715
Total comprehensive income attributable to:					
Owners of the Company		10,924	663	15,781	6,840
Non-controlling interests		3,037	(53)	5,388	2,497
		13,961	610	21,169	9,337
Basic earnings per share (sen)	22	3.56	0.12	5.65	2.39

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	31/12/2020	30/6/2020
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	11,613	12,235
Investment properties	8,052	5,190
Investment in an associate	157	157
Intangible assets - goodwill	41,711	41,711
Deferred tax assets	1,799	2,774
Right of use assets	4,457	5,309
	67,789	67,376
CURRENT ASSETS		
Inventories	23,485	26,986
Tax recoverable	5,194	4,224
Other receivables	15,224	8,542
Trade receivables	88,933	101,363
Contract assets	53,706	59,026
Short term investment	13,112	18,940
Deposits with licensed banks, cash and bank balances	110,248	67,720
	309,902	286,801
TOTAL ASSETS	377,691	354,177
EQUITY AND LIABILITIES		
Equity		
Share capital	118,309	112,264
Treasury shares	(1,287)	(1,287)
Foreign exchange reserve	4,448	5,516
Revaluation reserve	4,024	4,024
Share option reserve	670	670
Retained profits	72,089	55,240
Equity attributable to owners of the Company	198,253	176,427
Non-controlling interests	51,060	45,672
Total Equity	249,313	222,099
NON-CURRENT LIABILITIES		
Other payables	353	353
Long term borrowings	19 10,338	19,135
Deferred tax liabilities	191	982
Lease liabilities	1,905	2,010
	12,787	22,480
CURRENT LIABILITIES		
Other payables	30,682	24,225
Trade payables	54,319	56,466
Employee benefits	893	893
Provision for taxation	1,731	1,293
Short term borrowings	19 13,709	11,637
Contract liabilities	12,830	12,723
Lease liabilities	1,427	2,361
	115,591	109,598
TOTAL LIABILITIES	128,378	132,078
TOTAL EQUITY AND LIABILITIES	377,691	354,177
NET ASSETS PER SHARE (SEN)	62.9	59.8

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

	CURRENT PERIOD TO DATE 31/12/2020 RM'000	PREVIOUS PERIOD TO DATE 31/12/2019 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	26,368	14,470
Adjustments for:		
Allowance for impairment losses on trade receivables	243	71
Allowance for slow moving inventories	44	85
Reversal of impairment on receivables	(986)	(15)
Depreciation of property, plant and equipment	822	1,485
Depreciation of right of use asset	1,109	-
(Reversal)/Provision for end of service benefit	-	40
Gain on disposal of property, plant and equipment	(1)	(7)
Unrealised (gain)/loss on foreign exchange	(53)	(179)
Finance (income)/expenses, net	39	479
Operating profit before working capital changes	27,585	16,429
Decrease/(increase) in inventories	3,458	(915)
Decrease in receivables	11,810	35,829
Increase/(decrease) in payables	4,408	(11,618)
Cash generated from operations	47,261	39,725
Interest paid	(936)	(994)
Taxes paid	(4,082)	(4,289)
Net cash generated from operating activities	42,243	34,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal/(Purchase) of short term investment	5,829	(22,228)
Purchase of property, plant and equipment	(444)	(1,501)
Proceeds from disposals of property, plant and equipment	6	-
Acquisition of investment property via contra	(2,862)	-
Final shares consideration to non-controlling interest in regards of acquisition of a subsidiary	5,969	-
Interest received	897	515
Net cash generated from/(used in) investing activities	9,395	(23,214)
CASH FLOWS FOR FINANCING ACTIVITIES		
Repayment of revolving credit/term loans	(6,937)	(10,608)
Repayment of hire purchase and lease payables	(1,039)	(477)
(Repayment)/Drawdown of trade loan	(1,994)	928
Drawdown of overdraft facilities	2,205	-
Proceed from exercise of employee share options	77	673
Dividends paid to owners	-	(2,944)
Dividends paid to non-controlling interest	-	(1,960)
Net cash used in financing activities	(7,688)	(14,388)
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,950	(3,160)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	67,720	66,529
Effects of exchange differences	(1,422)	(379)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	110,248	62,990
Cash and cash equivalents comprise:		
Cash and bank balances	73,777	46,171
Deposits with licensed bank	36,471	16,819
	110,248	62,990

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2020.

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 SECOND QUARTER ENDED 31 DECEMBER 2020

	Share Capital RM'000	Treasury Shares RM'000	Foreign Exchange Reserves RM'000	Revaluation Reserves RM'000	Share Option Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
31 December 2020									
At 1 July 2020	112,264	(1,287)	5,516	4,024	670	55,240	176,427	45,672	222,099
Repurchase of treasury shares	-	-	-	-	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	16,849	16,849	5,784	22,633
- Foreign currency translation reserve	-	-	(1,068)	-	-	-	(1,068)	(396)	(1,464)
Total comprehensive income for the financial year	-	-	(1,068)	-	-	16,849	15,781	5,388	21,169
Transaction with owners:									
- Exercise of employee share options	77	-	-	-	-	-	77	-	77
- Final shares issued for acquisition of a subsidiary	5,968	-	-	-	-	-	5,968	-	5,968
At 31 December 2020	118,309	(1,287)	4,448	4,024	670	72,089	198,253	51,060	249,313
31 December 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	-	-	-	-	-	7,035	7,035	2,680	9,715
- Foreign currency translation reserve	-	-	(195)	-	-	-	(195)	(183)	(378)
Total comprehensive income for the financial year	-	-	(195)	-	-	7,035	6,840	2,497	9,337
Transaction with owners:									
- Exercise of employee share options	673	-	-	-	-	-	673	-	673
- Dividends paid on shares to owner of the company	-	-	-	-	-	(2,944)	(2,944)	-	(2,944)
- Dividends paid on shares to Non-controlling interest	-	-	-	-	-	-	-	(1,960)	(1,960)
At 31 December 2019	111,520	(855)	4,997	4,024	1,072	82,150	202,908	47,587	250,495

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 2020.

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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 2020.

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 2020.

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 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations
MFRS 9 Financial Instruments
MFRS 11 Joint Arrangements
MFRS 16 Leases
MFRS 112 Income Taxes
MFRS 119 Employee Benefits
MFRS 123 Borrowing Costs
MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group’s and the Company’s existing accounting policies.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 not 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 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 [^] 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022 [^] 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2022 [^]
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] The Annual Improvements to MFRS Standards 2018 - 2020

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarized below:

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combination

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarized below:

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 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity’s right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

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

- (b) 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 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

- (c) The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the financial year ended 30 June 2020 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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) 16,827,486 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 3,001,112 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; and
- v) 395,000 ordinary shares were issues at an exercise price of 23.7 sen per share

Options to subscribe for 11,515,532 ordinary shares remain unexercised.

On 1 December 2020, in relation to the acquisition of Trackwork & Supplies Sdn. Bhd. ("Trackwork"), the Company had completed the final issuance of 20,246,729 consideration shares to the Sellers of Trackwork, being part of the purchase consideration of RM43,500,000.

Treasury Shares

The number of treasury shares held as at 31 December 2020 is as follows: -

	<u>No. of shares</u>	<u>Amount RM</u>
Balance of treasury shares as at 1 July 2020	4,628,700	1,287,081
Add: Purchase of treasury shares during the year under review	-	-
Balance of treasury shares as at 31 December 2020	<u>4,628,700</u>	<u>1,287,081</u>

7. DIVIDENDS PAID

No dividend has been paid in the current quarter under review.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 December 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	4,470	95,588	39,315	35,570	7,495	-	(16,182)	166,256
Profit/(Loss) before tax	3,050	9,482	4,939	11,598	825	(16)	(3,510)	26,368
Segment assets	119,073	157,836	65,686	112,007	46,598	11	(123,520)	377,691

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 31 December 2020 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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

13. PERFORMANCE REVIEW BY SEGMENTS

Revenue	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	50,100	48,718	95,588	90,956
Environment	18,546	14,453	35,570	28,862
Engineering	22,710	16,637	39,315	33,515
Investment holdings	3,990	2,415	4,470	2,790
Rail	4,352	5,311	7,495	25,720
Total	99,698	87,534	182,438	181,843
Less: Elimination	(9,463)	(7,917)	(16,182)	(13,437)
Consolidated Total	90,235	79,617	166,256	168,406

Profit/(Loss) before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Facilities	7,179	5,474	9,482	10,491
Environment	6,064	429	11,598	2,081
Engineering	3,005	(3,508)	4,939	(3,142)
Investment holdings	3,294	1,579	3,050	1,296
Rail	666	577	825	5,804
Others	(4)	(8)	(16)	(20)
Total	20,204	4,543	29,878	16,510
Less: Elimination	(3,510)	(2,040)	(3,510)	(2,040)
Consolidated Total	16,694	2,503	26,368	14,470

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q2/FY21 amounted to RM50.1m, compared to RM45.5m in Q1/FY21. The increase in the revenue by RM4.6m/10.1% was mainly attributable to recognition of CARP revenue in the current quarter under review.

The division’s PBT for Q2/FY21 amounted to RM7.2m as compared to RM2.3m in Q1/FY21, an increase of RM4.9m/>100%, attributable to the increase in the revenue as well as austerity initiatives undertaken by the division to manage costs in the current quarter under review.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q2/FY21 was higher by RM1.4m/2.9% against the preceding year’s corresponding quarter Q2/FY20 as projects undertaken by the division remain on track.

The division recorded a PBT of RM7.2m in the current quarter under review Q2/FY21 against PBT of RM5.5m in the preceding year’s corresponding quarter Q2/FY20, an increase of RM1.7m/30.9%. The increase was largely attributable to higher revenue recognition as well as austerity initiatives undertaken by the division to manage costs in the current quarter under review.

13.2 Environment Division

QoQ

The division’s revenue for the current quarter under review Q2/FY21 was higher at RM18.5m compared to the immediate preceding quarter Q1/FY21, at RM17.0m. The increase of RM1.5m/8.8% was largely due to better project progress by the Middle East region during the current quarter under review. Additionally, the uplifting of the Restricted Movement Control Order due to Covid19 by the Malaysian and Singaporean Governments had enabled the recommencement of existing projects in Malaysia and Singapore.

The division recorded a PBT of RM6.1m in the current quarter under review Q2/FY21 as compared to a PBT of RM5.5m in Q1/FY2, an increase of RM0.6m/10.9% , as a result of better margin derived from the project progress mainly from the Singapore as well as Malaysia region.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.2 Environment Division (continued)

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q2/FY21 was RM18.5m vs RM14.5m in Q2/FY20, an increase of RM4.0m/27.6% largely attributable to new project executions by the Middle East region.

Consequent to the above as well as more favorable project milestones recognized in the Singapore as well as Malaysia region giving rise to improved margins, the PBT increased by RM5.7m/>100% in the current quarter under review Q2/FY21 compared to preceding year corresponding quarter Q2/FY20.

13.3 Engineering Division

QoQ

Revenue for Q2/FY21 amounted to RM22.7m compared to RM16.6m in Q1/FY21, an increase of RM6.1m/36.7% which was mainly attributable to higher trading revenue recorded by the aircond segment as well as good project progress by the plumbing segment. The uplifting of the Restricted Movement Control Order due to Covid-19 by the Malaysian as well as Singaporean government had enabled projects undertaken by both segments to recommence.

As a result of the increase in the revenue as mentioned above, the division recorded a PBT of RM3.0m in the current quarter under review Q2/FY21 against a PBT of RM1.9m in Q1/FY21, an increase by RM1.1m/57.9%.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q2/FY21 was RM22.7m vs RM16.6m in Q2/FY20, an increase of RM6.1/36.7%. The increase was mainly attributable to higher trading revenue recorded by the aircond segment as well as good project progress by the plumbing segment.

The division recorded a higher PBT of RM3.0m in Q2/FY21 vs LBT of RM3.5m in Q2/FY20, a significant turnaround by RM6.5m/>100% largely due to the improvement of project recognition during the quarter under review while the preceding year's corresponding quarter performance had been weighed down by over recognition adjustments attributable to projects undertaken by the aircond segment, which has since been completed.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.3 Rail Division

QoQ

Revenue for Q2/FY21 was RM4.4m compared to RM3.1m in Q1/FY21, an increase of RM1.3m/41.9% which was attributable to the better project progress following from the uplifting of MCO by the Malaysian Government.

Consequently, the division recorded a PBT of RM0.7m during the current quarter under review compared to a PBT of RM0.1m in Q1/FY21, an increase of RM0.6m/>100%.

Current quarter vs preceding year corresponding quarter

Revenue decreased by RM0.9m/-17.0% from RM5.3m in Q2/FY20 to RM4.4m in Q2/FY21 due to lower project progress and orderbook fulfillment during the current quarter under review.

The division recorded a PBT of RM0.7m in Q2/FY21 against PBT of RM0.6m in Q2/FY20, a slight increase of RM0.1m/16.7% due to more favorable product mix contributing higher margins.

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

	Current quarter ended 31 December 2020	Preceding quarter ended 30 September 2020	Variance Favorable
	RM'000	RM'000	RM'000
Revenue	90,235	76,021	14,214
Profit/(Loss) before taxation and zakat	16,694	9,673	7,021

On a QoQ basis, revenue increased by RM14.2m/18.7% as all divisions recorded higher revenues as mentioned above.

The Group recorded a PBT of RM16.7m in the current quarter under review compared to a PBT of RM9.7m in the immediate preceding quarter, an increase by RM7.0m/72.2%. This was largely attributable the higher revenue recognition as mentioned above as well as more effective cost management initiatives undertaken by the facilities division in the current quarter under review.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

15. COMMENTARY ON PROSPECTS

Taking into account additional costs to comply with published SOPs (Standard Operating Procedures) by MITI and rising costs of materials attributable to projects undertaken by the Group, the Board is cautiously optimistic of the Group's performance for the second half of the current financial year as it will remain underpinned by the Group's orderbook of RM957 million. While projects remain on track despite the MCO (Movement Control Order) 2.0, the threat posed by Covid19 remains real. The Management continues to explore and initiate austerity programs to effectively manage and mitigate costs including but not limited to hiring freeze, renegotiation of sub-contracts and procurement orders.

We set out below our analysis of prospects by Divisions:

15.1 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 contributing positively to our prospects.

15.2 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 as we expect projects progress and recognition to continue contributing positively to the Group.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

15. COMMENTARY ON PROSPECTS (CONTINUED)

15.3 Engineering Division

Air conditioning segment

As projects undertaken by this segment have largely entered 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

With the resumption of projects undertaken by the segment, these are expected to contribute positively to the Group's earnings over the next three financial years.

15.4 Rail Division

The division continues to actively pursue rail related projects and procurement opportunities domestically as well as regionally and remain well poised with the agencies and principal representations it holds.

16. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

17. INCOME TAX EXPENSE

	Current quarter ended 31 December 2020 RM'000	Period to date ended 31 December 2020 RM'000
Profit before taxation and zakat	16,694	26,368
Income tax expense for the year	(2,152)	(3,735)
Effective tax rate	12.9%	14.2%

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.

18. CORPORATE PROPOSALS

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

19. BORROWINGS

	As at 31 December 2020 RM'000	As at 31 December 2019 RM'000
Secured short-term borrowings:		
Term loan	5,472	3,402
Revolving credit	4,900	8,975
Trade loan	1,132	2,198
Bank Overdraft	2,205	-
Finance lease payables	-	1,243
Total short-term borrowings	13,709	15,818
Secured long-term borrowings:		
Term loan	10,338	12,599
Finance lease payables	-	1,570
Total long-term borrowings	10,338	14,169
Total borrowings	24,047	29,987

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

20. MATERIAL LITIGATION

Other than appended below, there is no material litigation which may materially affect the Group for the current quarter under review.

M & C Engineering and Trading (S) Pte Ltd ("the Plaintiffs"), a subsidiary of the Company, had on 25 January 2021 filed a Writ of Summons and Statement of Claim against Powstar Technology Pte Ltd ("the Defendants") in the Singapore High Court.

By way of a sub-contract for each projects (i.e. collectively, "the Sub-Contracts"), the Plaintiffs engaged the defendants as their sub-contractors to carry out works (collectively, "the Sub-Contract Works").

During the performance of the Sub-Contract Works for the Projects by the Defendants, the Plaintiffs found out that the Defendants had been causing delays to the progress of the Sub-Contract Works, had not been carrying out the Sub-Contract Works at a pace to meet the Plaintiffs' work schedule and had not been deploying sufficient manpower to carry out the Sub-Contract works.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

20. MATERIAL LITIGATION (CONTINUED)

Despite the Plaintiffs' repeated reminders, the Defendants continued to breach the Sub-Contracts for:

- i) Failure to carry out the Sub-Contract Works in accordance with the Plaintiff's work schedule and/or with due expedition;
- ii) Failure and/or refusal to deploy sufficient manpower to carry out the works;
- iii) Failure and/or refusal to comply with the instructions and/or directions of the Plaintiffs;
- iv) Failure and/or refusal to carry out and bring to completion the Sub-Contract Works;
- v) Failure and/or refusal to return to the Plaintiffs the Uninstalled Materials; and
- vi) Wrongful conversion of the Uninstalled Materials.

The Defendants have repudiated the Sub-Contracts and the Plaintiffs, as they were entitled to, accepted the Defendants' repudiation and terminated the Sub-Contracts by way of the Notice of Termination.

The claims pursuant to the Statement of Claim are as follows:

- i) Loss and damage due to the abovementioned events to be assessed;
- ii) A declaration that the Plaintiffs be fully indemnified by the Defendants for any loss and damage suffered and/or any and all such claims that may be made against the Plaintiffs by third parties in any respect as a result of the Defendants' repudiation of the Sub-Contracts and/or breach of the Sub-Contracts and/or conversion of the Uninstalled Materials;
- iii) An indemnity for prayer (ii);
- iv) Interest;
- v) Costs; and
- vi) Such other relief as the Honourable Court deems fit.

The Board is unable to quantify presently, the financial and operational impact on the Company and the Group arising from the Statement of Claim. The Writ of Summons and Statement of Claim against the Defendants have been served on the Defendants' lawyers on 27 January 2021. The Plaintiffs has on 23 February 2021 received the Defence and Counterclaim filed by the Defendants in High Court of Singapore. Further announcements will be made as and when there are material developments on the above matter.

21. DIVIDEND DECLARED

The Board of Directors is pleased to propose the first interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2021. The book closure and payment dates for this dividend will be announced in due course.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

22. EARNINGS PER SHARE

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

	Current quarter ended 31 December 2020	Period to date ended 31 December 2020
Profit attributable to owners of the Company (RM'000)	11,222	16,849
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	315,017	298,030
Basic earnings per share (sen)	<u>3.56</u>	<u>5.65</u>

There are no shares or other financial instruments in issue which have a dilutive effect on the earnings per share of the Group.

23. REALISED AND UNREALISED PROFITS

	As at 31 December 2020 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	149,596
- Unrealised	<u>1,607</u>
	151,203
Less: Consolidation adjustments	<u>(79,114)</u>
Total group retained profit as per consolidated accounts	<u>72,089</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

24. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Current quarter ended 31 December 2020 RM'000	Period to date ended 31 December 2020 RM'000
Interest income	(425)	(897)
Other income	(604)	(1,425)
Reversal of impairment on receivables	(96)	(986)
Interest expense	468	936
Depreciation and amortization	950	1,931
Foreign exchange gain	(4)	(53)

25. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 25 February 2021.