

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 30/09/2021 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2020 RM'000	CURRENT PERIOD TO DATE 30/09/2021 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2020 RM'000
Revenue	13	69,852	76,021	69,852	76,021
Cost of sales		(52,256)	(56,117)	(52,256)	(56,117)
Gross profit		17,596	19,904	17,596	19,904
Other operating income		714	1,759	714	1,759
Other operating expenses		(12,747)	(11,993)	(12,747)	(11,993)
Profit from operations		5,563	9,670	5,563	9,670
Finance income, net		52	3	52	3
Profit before taxation	13	5,615	9,673	5,615	9,673
Taxation	17	(1,370)	(1,583)	(1,370)	(1,583)
Zakat		(30)	-	(30)	-
Profit after taxation for the financial period		4,215	8,090	4,215	8,090
Other comprehensive income:					
Foreign currency translation differences		80	(883)	80	(883)
Total comprehensive income for the financial period		4,295	7,207	4,295	7,207
Profit attributable to:					
Owners of the Company		3,595	5,627	3,595	5,627
Non-controlling interests		620	2,463	620	2,463
		4,215	8,090	4,215	8,090
Total comprehensive income attributable to:					
Owners of the Company		3,113	4,856	3,113	4,856
Non-controlling interests		1,182	2,351	1,182	2,351
		4,295	7,207	4,295	7,207
Basic earnings per share (sen)	22	1.14	1.91	1.14	1.91

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2021.

The accompanying notes are an integral part of this statement.

AWC BERHAD

(Company No. 550098-A)



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	30/09/2021	30/6/2021
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	14,139	13,323
Investment properties	7,543	7,543
Intangible assets - goodwill	39,574	39,574
Deferred tax assets	3,046	3,046
Right of use assets	3,238	3,663
	67,540	67,149
CURRENT ASSETS		
Inventories	32,671	29,583
Tax recoverable	3,480	3,720
Other receivables	9,443	16,155
Trade receivables	116,124	120,394
Contract assets	38,596	57,863
Due from associated company	-	128
Short term investment	20,331	19,686
Deposits with licensed banks, cash and bank balances	108,118	89,436
	328,763	336,965
TOTAL ASSETS	396,303	404,114
EQUITY AND LIABILITIES		
Equity		
Share capital	119,033	119,033
Treasury shares	(1,287)	(1,287)
Foreign exchange reserve	4,852	5,334
Revaluation reserve	4,024	4,024
Share option reserve	572	572
Retained profits	82,240	78,645
Equity attributable to owners of the Company	209,434	206,321
Non-controlling interests	58,090	56,908
Total Equity	267,524	263,229
NON-CURRENT LIABILITIES		
Other payables	353	353
Long term borrowings	6,379	7,385
Deferred tax liabilities	116	7
Lease liabilities	1,979	1,223
	8,827	8,968
CURRENT LIABILITIES		
Other payables	34,937	27,254
Trade payables	46,123	51,090
Employee benefits	1,032	994
Provision for taxation	2,564	3,015
Short term borrowings	21,198	25,636
Contract liabilities	13,037	22,075
Lease liabilities	1,061	1,853
	119,952	131,917
TOTAL LIABILITIES	128,779	140,885
TOTAL EQUITY AND LIABILITIES	396,303	404,114
NET ASSETS PER SHARE (SEN)	66.2	65.2

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2021.

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

	CURRENT YEAR TO DATE 30/09/2021 RM'000	PREVIOUS YEAR TO DATE 30/09/2020 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	5,615	9,673
Adjustments for:		
Allowance for impairment lossess on trade receivables	12	106
Allowance for slow moving inventories	14	-
Reversal of impairment on receivables	(46)	(890)
Depreciation of property, plant and equipment	477	541
Depreciation of right of use asset	494	440
Provision for end of service benefit	39	(3)
Unrealised gain on foreign exchange	(28)	(19)
Finance income,net	(52)	(3)
Operating profit before working capital changes	6,525	9,845
(Increase)/Decrease in inventories	(3,102)	731
Decrease in receivables	30,282	7,330
(Decrease)/Increase in payables	(6,325)	960
Decrease in amount owing by an associate	128	-
Cash generated from operations	27,508	18,866
Interest paid	(332)	(469)
Taxes paid	(1,471)	(2,345)
Net cash generated from operating activities	25,705	16,052
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Withdrawal of short term investment	(645)	5,930
Purchase of property, plant and equipment	(1,283)	(255)
Purchase of right of use asset	(69)	-
Acquisition of investment property via contra	-	(1,922)
Interest received	384	472
Net cash generated (used in)/from investing activities	(1,613)	4,225
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown/(Repayment) of revolving credit/term loans	2,716	(4,887)
Repayment of hire purchase and lease payables	(36)	(637)
(Repayment)/Drawdown of trade loan	(8,035)	2,094
Repayment of overdraft facilities	(125)	-
Proceed from exercise of employee share options	-	38
Net cash used in financing activities	(5,480)	(3,392)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,612	16,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	89,436	67,720
Effects of exchange differences	70	(879)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	108,118	83,726
Cash and cash equivalents comprise:		
Cash and bank balances	65,262	53,218
Deposits with licensed bank	42,856	30,508
	108,118	83,726

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2021.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

	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
<u>30 September 2021</u>									
At 1 July 2021	119,033	(1,287)	5,334	4,024	572	78,645	206,321	56,908	263,229
Other comprehensive income for the financial year	-	-	-	-	-	3,595	3,595	620	4,215
- Foreign currency translation reserve	-	-	(482)	-	-	-	(482)	562	80
Total comprehensive income for the financial year	-	-	(482)	-	-	3,595	3,113	1,182	4,295
At 30 September 2021	119,033	(1,287)	4,852	4,024	572	82,240	209,434	58,090	267,524
<u>30 September 2020</u>									
At 1 July 2020	112,264	(1,287)	5,516	4,024	670	55,240	176,427	45,672	222,099
Other comprehensive income for the financial year	-	-	-	-	-	5,627	5,627	2,463	8,090
- Foreign currency translation reserve	-	-	(771)	-	-	-	(771)	(112)	(883)
Total comprehensive income for the financial year	-	-	(771)	-	-	5,627	4,856	2,351	7,207
Transaction with owners:									
- Exercise of employee share options	38	-	-	-	-	-	38	-	38
At 30 September 2020	112,302	(1,287)	4,745	4,024	670	60,867	181,321	48,023	229,344

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 2021.

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 2021

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 2021.

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 2021.

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:

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
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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 2021

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 issue, 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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

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 2021 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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

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) 17,180,586 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 3,360,312 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) 1,110,000 ordinary shares were issues at an exercise price of 23.7 sen per share

Options to subscribe for 9,872,232 ordinary shares remain unexercised.

Treasury Shares

The number of treasury shares held as at 30 September 2021 is as follows: -

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2021	4,628,700	1,287,081
Add: Purchase of treasury shares during the year under review	-	-
Balance of treasury shares as at 30 September 2021	<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 FIRST QUARTER ENDED 30 SEPTEMBER 2021

8. SEGMENTAL INFORMATION

The segment information for the current period ended 30 September 2021 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	480	40,884	17,209	13,490	3,352	-	(5,563)	69,852
Profit/(Loss) before tax	(123)	3,392	758	1,535	64	(11)	-	5,615
Segment assets	120,107	163,846	70,740	125,856	41,747	10	(126,003)	396,303

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 30 September 2021 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.

AWC BERHAD

(Company No. 550098-A)



EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	RM'000	RM'000	RM'000	RM'000
Facilities	40,884	45,488	40,884	45,488
Environment	13,490	17,024	13,490	17,024
Engineering	17,209	16,605	17,209	16,605
Investment holdings	480	480	480	480
Rail	3,352	3,143	3,352	3,143
Total	75,415	82,740	75,415	82,740
Less: Elimination	(5,563)	(6,719)	(5,563)	(6,719)
Consolidated Total	69,852	76,021	69,852	76,021

Profit/(Loss) before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding year ended
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	RM'000	RM'000	RM'000	RM'000
Facilities	3,392	2,301	3,392	2,301
Environment	1,535	5,534	1,535	5,534
Engineering	758	1,934	758	1,934
Investment holdings	(123)	(242)	(123)	(242)
Rail	64	159	64	159
Others	(11)	(13)	(11)	(13)
Total	5,615	9,673	5,615	9,673
Less: Elimination	-	-	-	-
Consolidated Total	5,615	9,673	5,615	9,673

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q1/FY22 amounted to RM40.9m, compared to RM46.3m in Q4/FY21, a decrease of RM6.4m/11.7%. Higher revenue recorded in the immediate preceding quarter was mainly attributable to the recognition of CARP revenue of RM4.7m.

Despite the lower revenue, the division recorded a PBT of RM3.4m for Q1/FY22 compared to RM3.2m in Q4/FY21, a marginal increase of RM0.2m/6.3% mainly due to non-recurring costs incurred in the immediate preceding quarter (RM0.6m).

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY22 was lower by RM4.6m/10.1% against the preceding year’s corresponding quarter Q1/FY21 due to non-recurring works under the “Program Rangsangan Ekonomi” amounting to RM4.0m carried out in the preceding year corresponding quarter.

Although revenue recorded in the current quarter under review was lower, the division recorded a PBT of RM3.4m in Q1/FY22 against a PBT of RM2.3m in the preceding year’s corresponding quarter Q1/FY21, an increase of RM1.1m/47.8%. The increase in PBT mainly supported by the improved margin recorded during current quarter under review.

13.2 Environment Division

QoQ

The division’s revenue for the quarter under review Q1/FY22 amounted to RM13.5m compared to the immediate preceding quarter Q4/FY21, at RM27.9m. The decrease of RM14.4m/51.6% was mainly attributable to slower project progress arising from effects of Covid19 related shutdowns in Malaysia and Singapore.

Arising from the above, the division recorded a PBT of RM1.5m in the current quarter under review Q1/FY22 as compared to a PBT of RM11.3m in Q4/FY21, a decrease of RM9.8m/86.7%.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY22 was RM13.5m vs RM17.0m in Q1/FY21, a decrease of RM3.5m/20.6% mainly attributable to slow project progress due to effects arising from Covid19 as above.

Consequent to the above, the PBT decreased by RM4.0m/72.7% in the current quarter under review Q1/FY22 compared to preceding year corresponding quarter Q1/FY21, which also accounted for the recovery of impaired receivables totaling RM0.9m.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.3 Engineering Division

QoQ

Despite the effects of Covid19 related shutdowns, revenue for Q1/FY22 amounted to RM17.2m compared to RM17.0m in Q4/FY21, a marginal increase of RM0.2m/1.2% which was attributable to better project progress undertaken by the Plumbing segment.

The division recorded a PBT of RM0.8m in the current quarter under review Q1/FY22 against a LBT of RM3.6m in Q4/FY21 which accounted for impairments made on receivables totalling RM1.75m, a significant turnaround by RM4.4m/>100%.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q1/FY22 was RM17.2m vs RM16.6m in Q1/FY21, an increase of RM0.6m/3.6%. While Malaysian based projects were impacted by effects arising from Covid19 shutdowns, the Singapore aircond segment recorded significantly higher trading and project deliverables during the quarter under review.

The division recorded PBT of RM0.8m in Q1/FY22 vs PBT of RM1.9m in Q1/FY21, a decrease of RM1.1m/57.9% largely due lower projects progress in Malaysia and less favorable product mix by the Singapore aircond segment during current quarter under review.

13.3 Rail Division

QoQ

Revenue for Q1/FY22 was RM3.4m compared to RM10.9m in Q4/FY21, a significant decrease of RM7.5m/68.8%. The higher revenue recorded in the immediate preceding quarter was attributable to the milestone recognition of equipment delivery and services completed in the quarter totalling RM7.4m.

Arising from the above, the PBT decreased by RM1.7m/>100% from RM1.8m in Q4/FY21 to RM64k in Q1/FY22.

Current quarter vs preceding year corresponding quarter

The revenue in Q1/FY22 was RM3.4m compared to RM3.1m in Q1/FY21, a marginal increase of RM0.3m/9.7%.

The division recorded PBT of RM64k in Q1/FY22 vs RM0.2m in Q1/FY21, a slight decrease of RM95k/59.7%.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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

	Current quarter ended 30 September 2021	Preceding quarter ended 30 June 2021	Adverse Variance
	RM'000	RM'000	RM'000
Revenue	69,852	97,014	(27,162)
Profit before taxation and zakat	5,615	10,528	(4,913)

On a QoQ basis, revenue decreased by RM27.2m/28.0% largely due to effects arising from Covid19 related shutdowns as mentioned above.

The Group recorded a PBT of RM5.6m in the current quarter under review compared to a PBT of RM10.6m in the immediate preceding quarter, a decrease by RM4.9m/46.7% arising primarily from lower results recorded by the Environment division as mentioned in the above.

15. COMMENTARY ON PROSPECTS

In consideration that most of the quarter under review had been impacted by effects of Covid19 related shutdowns, the Board is cautiously optimistic of the Group's financial performance as economic activities have resumed. With most of the country's adult population having been fully vaccinated, economic shutdowns from Covid19 related complications is behind us.

The Group's financial performance will continue to be underpinned by its orderbook of more than RM800 million.

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

15. COMMENTARY ON PROSPECTS (CONTINUED)

15.1 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 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.

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 projects undertaken by the segment remaining on track, these are expected to contribute positively to the Group's earnings over the next three financial years. The segment is actively pursuing value engineering propositions to its clients to mitigate higher cost of materials currently experienced in its procurement processes.

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

17. INCOME TAX EXPENSE

	Current quarter ended 30 September 2021 RM'000	Period to date ended 30 September 2021 RM'000
Profit before taxation and zakat	5,615	5,615
Income tax expense for the year	(1,370)	(1,370)
Effective tax rate	24.4%	24.4%

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions whilst the income from operations in Abu Dhabi are exempted from tax. During the financial period, the income tax rate applicable to the subsidiaries in Singapore was 17% (2021: 17%).

18. CORPORATE PROPOSALS

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

19. BORROWINGS

	As at 30 September 2021 RM'000	As at 30 September 2020 RM'000
Secured short-term borrowings:		
Term loan	12,269	5,476
Revolving credit	3,000	3,700
Trade loan	3,609	1,031
Bank Overdraft	2,320	-
Total short-term borrowings	21,198	10,207
Secured long-term borrowings:		
Term loan	6,379	17,773
Total long-term borrowings	6,379	17,773
Total borrowings	27,577	27,980

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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 vs Powstar Technology Pte Ltd

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.

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

20. MATERIAL LITIGATION (CONTINUED)

M & C Engineering and Trading (S) Pte Ltd vs Powstar Technology Pte Ltd (continued)

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 announcement will be made as and when there are material developments on the above matter.

Trackwork & Supplies Sdn Bhd vs Hikmat Asia Sdn Bhd

Trackwork & Supplies Sdn. Bhd. ("the Plaintiff"), a subsidiary of the Company, has on 12 May 2021 filed a Writ of Summons together with Statement of Claim against Hikmat Asia Sdn. Bhd. ("the Defendant") in the High Court of Malaya at Shah Alam for the following particulars of claims.

By way of a rental agreement dated 29 May 2019 ("Rental Agreement"), the Plaintiff has rented to the Defendant the Gemac DCM 32III Tamping Machine ("Tamping Machine") from 2 June 2019 until 30 November 2020 ("Rental Period").

The Defendant has breached the Rental Agreement by, amongst others:

- i) delaying the payments of rent for June, July and August 2019, of which were made by the Defendant more than seven (7) days after becoming due; and
- ii) having refused, failed and/or neglected to make any payment of rent for September 2019 until November 2020, totaling RM4,200,000.00 ("Outstanding Rent").

At all material times, the Defendant has admitted and acknowledged being indebted to the Plaintiff for the Outstanding Rent. On or around 5 May 2021, the Plaintiff wrote to the Defendant informing that the Rental Agreement was terminated with immediate effect and that the Plaintiff shall exercise its rights to resume possession of the Tamping Machine. After the termination of the Rental Agreement until the date of filing of the suit, the Defendant still failed, refused and/or neglected to deliver the Tamping Machine and/or make any payment to the Plaintiff.

The claims pursuant to the Writ and Statement of Claim are for:

- (a) the payment of the Outstanding Rent;
- (b) the late payment interest on the Outstanding Rent in the sum of RM540,978.70 accrued and calculated as at 12 May 2021 and thereafter at the rate of 1% per month until full and final settlement;

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

20. MATERIAL LITIGATION (CONTINUED)

Trackwork & Supplies Sdn Bhd vs Hikmat Asia Sdn Bhd(continued)

- (c) the Defendant, its directors, employees, agents and/or representatives or whosoever otherwise to be restrained or prohibited from interfering with, intermeddling in and/or preventing the Plaintiff from entering upon any land or building whether belonging to the Defendant or otherwise, on or in which the Tamping Machine is or is believed by the Plaintiff or its agents or whosoever to be situated, for the purposes of retaking possession of the Tamping Machine;
- (d) further and/or in the alternative to paragraph (c) above, the Defendant whether by itself, agents, employees, representatives or whosoever otherwise, are to be ordered and do deliver forthwith to the Plaintiff the Tamping Machine within two (2) days from the date of judgment;
- (e) the Defendant to pay to the Plaintiff the sum of RM1,436,129.00 for the use and possession of the Tamping Machine from December 2020 until 4 May 2021;
- (f) damages to be assessed in relation to all losses and damages suffered by the Plaintiff:
 - (i) as a result of the Defendant's breach of the Rental Agreement, including but not limited to, all costs and expenses incurred by the Plaintiff in tracing, retaking possession, removing, transporting, repairing, making good the Tamping Machine and/or the loss of value of the Tamping Machine;
 - (ii) for and in respect of the use and possession of the Tamping Machine by the Defendant from 5 May 2021 until the date of repossession or delivery of the Tamping Machine, or as otherwise from a date so determined by the Honourable Court;
- (g) Interest at the rate of 1% per month or such other rate as the Honourable Court shall deem fair, just and reasonable on the amount ordered to be paid by the Defendant to the Plaintiff at paragraphs (e) and (f) from the date of the judgment until full and final settlement;
- (h) Costs; and
- (i) Such further and other relief that the Honourable Court shall deem fit and proper.

The Plaintiff has obtained judgment in default of appearance against the Defendant on 20 September 2021 in the following terms:

- (a) The Defendant is to pay the Plaintiff the sum of RM4,200,000.00 being the outstanding rent from September 2019 until November 2020;

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

20. MATERIAL LITIGATION (CONTINUED)

Trackwork & Supplies Sdn Bhd vs Hikmat Asia Sdn Bhd(continued)

- (b) The Defendant is to pay to the Plaintiff the late payment interest in the sum of RM540,978.70 accrued and calculated as at 12 May 2021;
- (c) The Defendant is to pay the Plaintiff further late payment interest on the sum of RM4,200,000.00 at the rate of 1% per month from 13 May 2021 until full and final settlement;
- (d) The Defendant whether by itself, agents, employees, representatives or whosoever otherwise, are hereby ordered and do deliver forthwith to the Plaintiff the Tamping Machine within two (2) days of the date of judgment;
- (e) The Defendant is to pay to the Plaintiff the sum of RM1,436,129.00 for the use and possession of the Tamping Machine from December 2020 until 4 May 2021;
- (f) The Defendant is to pay to the Plaintiff interest on the sum of RM1,436,129.00 at the rate of 1% per month from 5 May 2021 until full and final settlement;
- (g) Damages to be assessed in relation to all losses and damages suffered by the Plaintiff:
 - (i) as a result of the Defendant's breach of the Rental Agreement including but not limited to, all costs and expenses incurred by the Plaintiff in tracing, retaking possession, removing, transporting, repairing, making good the Tamping Machine and/or the loss of value of the Tamping Machine; and
 - (ii) for and in respect of the use and possession of the Tamping Machine by the Defendant from 5 May 2021 until the date of possession or delivery of the Tamping Machine, or as otherwise from a date so determined by the Honourable Court;
- (h) Interest at the rate of 1% per month or such other rate as the Honourable Court may order on the amount ordered to be paid by the Defendant to the Plaintiff at paragraph(g) from such period/date as the Honourable Court may order until full and final settlement;
- (i) Costs of RM1,859.00

The Plaintiff has on 18 November 2021 through its solicitors filed an Affidavit in Reply praying for the Defendant's Notice of Application to set aside the Judgment in Default of appearance be dismissed with costs.

The Defendant's grounds of setting aside the Judgment in Default of appearance are as follows: -

- (a) The service of the Writ and Statement of Claim was allegedly irregular; and
- (b) The Defendant allegedly have a defence on merits.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

20. MATERIAL LITIGATION (CONTINUED)

Trackwork & Supplies Sdn Bhd vs Hikmat Asia Sdn Bhd(continued)

In the said Plaintiff's Affidavit in Reply, the Plaintiff stated that the Plaintiff has been advised by its solicitors and verily believe that: -

- (a) The service of the Writ and Statement of Claim was regular;
- (b) The Judgment in Default of appearance against the Defendant is regular; and
- (c) The Defendant does not have a defence on merits.

The Board will make further announcements if there are any material updates on the aforesaid cases.

21. DIVIDEND DECLARED

No dividend has been declared in the current quarter.

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 30 September 2021	Period to date ended 30 September 2021
Profit attributable to owners of the Company (RM'000)	3,595	3,595
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	316,443	315,404
Basic earnings per share (sen)	1.14	1.14

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

23. REALISED AND UNREALISED PROFITS

	As at 30 September 2021 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	165,568
- Unrealised	2,967
	<u>168,535</u>
Less: Consolidation adjustments	<u>(86,295)</u>
Total group retained profit as per consolidated accounts	<u>82,240</u>

24. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 30 September 2021 is stated after charging / (crediting) the following items:

	Current quarter ended 30 September 2021 RM'000	Period to date ended 30 September 2021 RM'000
Impairment losses on trade receivables	12	12
Interest income	(384)	(384)
Other income	(640)	(640)
Reversal of impairment on receivables	(46)	(46)
Interest expense	332	332
Depreciation and amortization	971	971
Foreign exchange gain	(28)	(28)

25. AUTHORISATION FOR ISSUE

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