

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MARCH 2024**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT PERIOD QUARTER 31/3/2024 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2023 RM'000	CURRENT PERIOD TO DATE 31/3/2024 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2023 RM'000
Revenue	13	91,229	94,885	296,858	287,462
Cost of sales		(76,866)	(73,921)	(241,758)	(221,841)
Gross profit		14,363	20,964	55,100	65,621
Other operating income		4,486	1,024	7,252	2,294
Other operating expenses		(10,476)	(13,715)	(40,464)	(41,628)
Profit from operations		8,373	8,273	21,888	26,287
Finance income, net		(507)	427	176	1,122
Profit before taxation	13	7,866	8,700	22,064	27,409
Taxation	17	(1,403)	(1,188)	(4,387)	(5,232)
Zakat		(30)	(30)	(90)	(90)
Profit after taxation for the financial period		6,433	7,482	17,587	22,087
Other comprehensive income:					
Foreign currency translation differences		1,096	181	995	1,682
Total comprehensive income for the financial period		7,529	7,663	18,582	23,769
Profit attributable to:					
Owners of the Company		6,433	4,556	12,741	15,517
Non-controlling interests		(0)	2,926	4,846	6,570
		6,433	7,482	17,587	22,087
Total comprehensive income attributable to:					
Owners of the Company		7,529	4,733	13,850	16,686
Non-controlling interests		(0)	2,930	4,732	7,083
		7,529	7,663	18,582	23,769
Basic earnings per share (sen)	22	2.02	1.44	3.94	4.89

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE THIRD QUARTER ENDED 31 MARCH 2024**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	31/3/2024	30/6/2023
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	18,833	17,843
Investment properties	6,463	6,463
Intangible assets	31,439	31,440
Deferred tax assets	6,373	6,397
Right of use assets	3,368	3,736
	66,476	65,879
CURRENT ASSETS		
Inventories	30,106	34,788
Tax recoverable	12,488	10,506
Other receivables	49,348	20,533
Trade receivables	104,162	138,258
Contract assets	25,450	46,053
Due from associates	-	184
Short term investment	24,840	7,828
Deposits with licensed banks, cash and bank balances	111,482	119,474
	357,876	377,624
TOTAL ASSETS	424,352	443,503
EQUITY AND LIABILITIES		
Equity		
Share capital	125,336	119,697
Treasury shares	(1,287)	(1,287)
Foreign exchange reserve	10,383	9,274
Revaluation reserve	4,438	4,438
Share option reserve	64	64
Retained profits	66,449	91,590
Equity attributable to owners of the Company	205,383	223,776
Non-controlling interests	(0)	72,864
Total Equity	205,383	296,640
NON-CURRENT LIABILITIES		
Other payables	195	353
Long term borrowings	19 67,816	1,535
Deferred tax liabilities	-	29
Lease liabilities	1,768	1,322
	69,779	3,239
CURRENT LIABILITIES		
Other payables	31,902	28,446
Trade payables	34,618	64,174
Employee benefits	1,539	1,408
Provision for taxation	1,903	1,899
Short term borrowings	19 63,440	20,103
Contract liabilities	14,547	25,558
Lease liabilities	1,241	2,036
	149,190	143,624
TOTAL LIABILITIES	218,969	146,863
TOTAL EQUITY AND LIABILITIES	424,352	443,503
NET ASSETS PER SHARE (SEN)	63.5	70.5

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 MARCH 2024**

	CURRENT YEAR TO DATE 31/3/2024 RM'000	PREVIOUS YEAR TO DATE 31/3/2023 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	22,064	27,409
Adjustments for:		
Allowance for impairment losses on trade receivables	198	460
Allowance for slow moving inventories	171	229
Reversal of impairment on receivables	(2,458)	(1,053)
Reversal of impairment on contract assets	(3,209)	-
Depreciation of property, plant and equipment	2,326	1,649
Depreciation of right of use asset	1,584	1,557
Provision for retirement benefit obligation	(157)	-
Gain on disposal of property, plant and equipment	(159)	(225)
Unrealised gain on foreign exchange	-	(201)
Finance income, net	(176)	(1,122)
Operating profit before working capital changes	20,184	28,703
Decrease/(Increase) in inventories	4,511	(2,241)
Decrease/(Increase) in receivables	31,353	(26,432)
Decrease in payables	(38,373)	(8,418)
Decrease/(Increase) in amount owing by an associate	184	(343)
Cash generated from/ (used in) operations	17,859	(8,731)
Interest paid	(2,048)	(479)
Taxes paid	(6,369)	(8,437)
Zakat paid	(90)	(90)
Net cash generated from/ (used in) operating activities	9,352	(17,737)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow from acquisition of subsidiaries	(110,000)	-
(Placement)/Withdrawal of short term investment	(17,013)	11,492
Purchase of property, plant and equipment	(3,140)	(2,740)
Purchase of intangible assets	-	(3)
Proceeds from disposals of property, plant and equipment	161	225
Interest received	2,224	1,601
Net cash (used in)/generated from investing activities	(127,768)	10,575
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown/(Repayment) of revolving credit/term loans	109,655	(6,460)
(Repayment)/ Drawdown of hire purchase and lease payables	(413)	109
Drawdown of trade loan	2,236	1,409
(Repayment)/Drawdown of overdraft facilities	(2,210)	475
Proceed from exercise of employee share options	161	334
Dividends paid to owners	-	(6,358)
Dividends paid to non-controlling interest	-	(2,940)
Net cash generated from/(used in) financing activities	109,429	(13,431)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,987)	(20,593)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	119,474	112,945
Effects of exchange differences	995	1,883
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	111,482	94,235
Cash and cash equivalents comprise:		
Cash and bank balances	63,274	39,443
Deposits with licensed bank	48,208	54,792
	111,482	94,235

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023.

The accompanying notes are an integral part of this statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2024

	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 March 2024									
At 1 July 2023	119,697	(1,287)	9,274	4,438	64	91,590	223,776	72,864	296,640
Other comprehensive income for the financial year	-	-	-	-	-	12,741	12,741	4,846	17,587
- Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
- Foreign currency translation reserve	-	-	1,109	-	-	-	1,109	(114)	995
Total comprehensive income for the financial year	-	-	1,109	-	-	12,741	13,850	4,732	18,582
Transaction with owners:									
- Exercise of employee share options	161	-	-	-	-	-	161	-	161
- Acquisition of subsidiaries	5,478	-	-	-	-	(37,882)	(32,404)	(77,596)	(110,000)
At 31 March 2024	125,336	(1,287)	10,383	4,438	64	66,449	205,383	(0)	205,383
31 March 2023									
At 1 July 2022	119,151	(1,287)	6,489	4,117	361	95,684	224,515	65,056	289,571
Other comprehensive income for the financial year	-	-	-	-	-	15,517	15,517	6,570	22,087
- Foreign currency translation reserve	-	-	1,169	-	-	-	1,169	513	1,682
Total comprehensive income for the financial year	-	-	1,169	-	-	15,517	16,686	7,083	23,769
Transaction with owners:									
- Exercise of employee share options	334	-	-	-	-	-	334	-	334
- Dividends paid on shares to owner of the company	-	-	-	-	-	(6,358)	(6,358)	-	(6,358)
- Dividends paid on shares to Non-controlling interest	-	-	-	-	-	-	-	(2,940)	(2,940)
At 31 March 2023	119,485	(1,287)	7,658	4,117	361	104,843	235,177	69,199	304,376

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 2023.

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

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 2023.

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 2023.

Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above amendments/improvements to MFRSs 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 2024

1. BASIS OF PREPARATION (CONTINUED)

New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

<u>New MFRS</u>		Effective for financial periods beginning on or after
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 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023/ 1 January 2024
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023/ 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023/ 1 January 2024
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
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 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

1. BASIS OF PREPARATION (CONTINUED)**New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd):**

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective.
- (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 2023 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

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) 17,701,286 ordinary shares were issued at an exercise price of 33.6 sen per share;
- ii) 3,490,512 ordinary shares were issued at an exercise price of 42.3 sen per share;
- iii) 450,150 ordinary shares were issued at an exercise price of 72.3 sen per share;
- iv) 100,000 ordinary shares were issued at an exercise price of 75.1 sen per share;
- and
- v) 2,545,000 ordinary shares were issues at an exercise price of 23.7 sen per share

Options to subscribe for 14,748,182 ordinary shares remain unexercised.

Treasury Shares

The number of treasury shares held as at 31 March 2024 is as follows: -

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2023	4,628,700	1,287,081
Add: Purchase of treasury shares during the year under review	-	-
Balance of treasury shares as at 31 March 2024	<u>4,628,700</u>	<u>1,287,081</u>

7. DIVIDENDS PAID

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

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 March 2024 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	26,440	171,282	57,795	72,256	14,208	-	(45,123)	296,858
Profit/(Loss) before tax	21,625	119	6,573	16,170	2,614	(37)	(25,000)	22,064
Segment assets	260,874	167,371	64,688	139,462	46,659	10	(254,712)	424,352

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

No material events subsequent to 31 March 2024 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

On 15 December 2023 and 27 December 2023 respectively Trackwork & Supplies Sdn Bhd and Stream Group Sdn Bhd became wholly owned subsidiaries.

On 28 January 2024, a wholly owned subsidiary, Stream Environment Co. Ltd , Kingdom of Saudi Arabia, was incorporated.

On 7 March 2024, a wholly owned subsidiary, Stream Environment Protection Equipment Trading L.L.C , Dubai, was incorporated.

On 13 March 2024, a wholly owned subsidiary, PT Stream Environment Solution, Indonesia, was incorporated.

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 THIRD QUARTER ENDED 31 MARCH 2024

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 period ended
	31 March	31 March	31 March	31 March
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Facilities	50,720	48,879	171,282	159,337
Environment	26,144	29,653	72,256	73,093
Engineering	16,437	17,420	57,795	61,973
Investment holdings	25,480	3,510	26,440	6,000
Rail	4,257	5,041	14,208	12,567
Total	123,038	104,503	341,981	312,970
Less: Elimination	(31,809)	(9,618)	(45,123)	(25,508)
Consolidated Total	91,229	94,885	296,858	287,462

Profit/(Loss) before tax	Current quarter ended	Preceding year corresponding quarter ended	Current period to-date ended	Preceding year corresponding period ended
	31 March	31 March	31 March	31 March
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Facilities	379	638	119	6,388
Environment	5,974	6,204	16,170	15,400
Engineering	2,460	1,261	6,573	5,294
Investment holdings	23,614	2,844	21,625	4,043
Rail	452	793	2,614	873
Others	(13)	(10)	(37)	(29)
Total	32,866	11,730	47,064	31,969
Less: Elimination	(25,000)	(3,030)	(25,000)	(4,560)
Consolidated Total	7,866	8,700	22,064	27,409

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q3/FY24 amounted to RM50.7m, compared to RM73.1m in Q2/FY24, a decrease of RM22.4m/30.6%. The decrease was mainly attributable to completion of additional works performed under the concession segment (RM0 vs RM19.5m) and lower contribution from CARP (RM1.8m vs RM2.1m).

Arising from the lower revenue, the division recorded a PBT of RM379k in Q3/FY24 as compared to PBT of RM3.0m in Q2/FY24. Management’s efforts in reviewing operational matters and cost remain a high priority.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q3/FY24 was slightly higher by RM1.8m/3.8% against the preceding year’s corresponding quarter Q3/FY23.

The division recorded a PBT of RM379k in the current quarter under review Q3/FY24 as compared to PBT of RM638k in Q3/FY23, a decrease of RM259k/40.6% due to on-going cost pressures which the Management is actively working on mitigating.

13.2 Environment Division

QoQ

The division’s revenue for the quarter under review Q3/FY24 amounted to RM26.1m compared to the immediate preceding quarter Q2/FY24, at RM23.4m. The increase of RM2.7m/11.8% was largely due to higher project progress in the Singapore segment.

Arising from the higher revenue, the division recorded a PBT of RM6.0m in Q3/FY24 as compared to PBT of RM5.1m in Q2/FY24, an increase of RM0.9m/16.9%.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.2 Environment Division(continued)

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q3/FY24 was RM26.1m vs RM29.6m in Q3/FY23, a decrease of RM3.5m/11.8% mainly due to certain projects almost near to completion stage in the Singapore region during the quarter under review.

Arising from above, PBT decreased marginally by RM0.2m/3.7% in the current quarter under review Q3/FY24 as compared to preceding year corresponding quarter Q3/FY23.

13.3 Engineering Division

QoQ

The revenue for Q3/FY24 amounted to RM16.4m compared to RM20.6m in Q2/FY24, a decrease of RM4.2m/20.1% mainly due to lower revenue recognized under the Plumbing and Singapore Air-condition segment.

Despite lower revenue the division recorded a PBT of RM2.5m in Q3/FY24 vs a PBT of RM2.0m in Q2/FY24, an increase of RM0.5m/20.7% in line with a write-back of an impairment on contract asset of RM3.2m which off-set a corresponding non-recurring charge of RM1.9m to the cost of a project undertaken by the Plumbing segment.

Current quarter vs preceding year corresponding quarter

The revenue for the current quarter Q3/FY24 was RM16.4m vs RM17.4m in Q3/FY23, a decrease of RM1.0m/5.6%. The lower revenue recorded was mainly attributable to the lower revenue from the Plumbing segment during the current quarter under review as some of the projects undertaken have been completed.

Despite the lower revenue, the division recorded a higher PBT of RM2.5m during the quarter under review Q3/FY24 as compared to a PBT of RM1.3m in Q3/FY23, an increase of RM1.2m/95.1% in line with a write-back of an impairment on contract asset of RM3.2m which off-set a corresponding non-recurring charge of RM1.9m to the cost of a project undertaken by the Plumbing segment.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

13. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

13.4 Rail Division

QoQ

The Division recorded a lower revenue for Q3/FY24 of RM4.3m compared to RM6.2m in Q2/FY24, a decrease of RM1.9m/30.9% due to lower order fulfilment and project deliverables during the quarter under review.

Arising from the lower revenue, PBT for Q3/FY24 was lower at RM0.5m, compared to RM2.2m from the immediate preceding quarter Q2/FY24 which included a trade receivable recovery of RM1.5m.

Current quarter vs preceding year corresponding quarter

The revenue in Q3/FY24 was RM4.3m compared to RM5.0m in Q3/FY23, a decrease of RM0.7m/15.6%.

Consequent to the lower revenue the division recorded a PBT of RM452k in Q3/FY24 vs a PBT of RM793k in Q3/FY23, a decrease of RM341k/43.0% in the current quarter.

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

	Current quarter ended 31 March 2024	Preceding quarter ended 31 December 2023	Favorable/ (Adverse) Variance
	RM'000	RM'000	RM'000
Revenue	91,229	116,793	(25,564)
Profit before taxation and zakat	7,866	10,393	(2,527)

On a QoQ basis, revenue decreased by RM25.6m/21.9% mainly due to additional works undertaken by Facilities division in the immediate preceding quarter (RM19.5m).

Arising from the above as well as points highlighted under the respective business divisions, the Group recorded a lower PBT of RM7.9m compared to a PBT of RM10.4m in the immediate preceding quarter, a decrease of RM2.5m/24.3%.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024**

15. COMMENTARY ON PROSPECTS

Buoyed by the continued performance of the now wholly-owned Environment division and while mindful of the challenges and cost pressures the Facilities division is still experiencing, the Board is cautiously optimistic of the Group's financial performance with the remaining quarter for the current financial year. The Group's orderbook of RM707m will continue to underpin its earnings visibility moving forward.

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 THIRD QUARTER ENDED 31 MARCH 2024**

15. COMMENTARY ON PROSPECTS (CONTINUED)

15.3 Engineering Division

Air conditioning segment

As projects undertaken by this segment's Malaysian operation 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 THIRD QUARTER ENDED 31 MARCH 2024

17. INCOME TAX EXPENSE

	Current quarter ended 31 March 2024 RM'000	Period to date ended 31 March 2024 RM'000
Profit before taxation and zakat	7,866	22,064
Income tax expense for the year	(1,403)	(4,387)
Effective tax rate	18%	20%

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2023: 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% (2023: 17%).

18. CORPORATE PROPOSALS

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

19. BORROWINGS

	As at 31 March 2024 RM'000	As at 31 March 2023 RM'000
Secured short-term borrowings:		
Term loan	39,191	1,529
Hire purchase	909	-
Revolving credit	18,200	1,600
Trade loan	4,731	3,717
Bank overdraft	409	2,456
Total short-term borrowings	<u>63,440</u>	<u>9,302</u>
Secured long-term borrowings:		
Term loan	66,664	929
Hire purchase	1,152	-
Total long-term borrowings	<u>67,816</u>	<u>929</u>
Total borrowings	<u>131,256</u>	<u>10,231</u>

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 THIRD QUARTER ENDED 31 MARCH 2024

20. MATERIAL LITIGATION

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

Trackwork & Supplies Sdn. Bhd. (“the Claimant”), a subsidiary of the Company, had through its solicitors, Messrs. Gan Partnership in their letter dated 25 April 2023 requested to commence an arbitration between the Claimant and Emrail Sdn. Bhd. (“the Respondent”) made pursuant to Rule 7 of the Arbitration Rules of the Asian International Arbitration Centre. The Claimant’s claim is based on the purchase orders issued by the Respondent to the Claimant (‘the Contract’) whereby the Claimant had supplied and delivered materials or goods to the Respondent for a project in relation to restoration of track and slope stabilisation, track rehabilitation and associated works. The Claimant is seeking for an order that the Respondent pay the sum of RM2,163,420.00 to the Claimant and/or any order of loss, cost, expenses and/or damages suffered by the Claimant arising from the default in payment by the Respondent. Dispute has arisen between the Claimant and the Respondent under the Contract with regard to the payment by Respondent in respect of the Invoices issued by the Claimant. Notice to arbitrate has been issued by the Claimant’s solicitors and the Respondent through its solicitors have responded to the notice to arbitrate.

The hearing date for the arbitration has yet to be fixed. However, the decision on the preliminary objection raised by the Respondent that the pre-conditions for arbitration have not been fulfilled will be delivered on 28 June 2024. The solicitors for the Claimant are of the opinion that there is a fair chance for the Claimant to sustain its claim against the Respondent.

The Company will make further announcement if there is any material update on the aforesaid arbitration.

21. DIVIDEND DECLARED

The Board of Directors is pleased to propose a first interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 30 June 2024. The book closure and payment dates for this dividend will be announced in due course.

AWC BERHAD

(Company No. 550098-A)



EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

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 March 2024	Period to date ended 31 March 2024
Profit attributable to owners of the Company (RM'000)	6,433	12,741
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	318,004	323,582
Basic earnings per share (sen)	2.02	3.94

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 March 2024 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	207,436
- Unrealised	6,183
	213,619
Less: Consolidation adjustments	(147,170)
Total group retained profit as per consolidated accounts	66,449

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

24. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 31 March 2024 is stated after charging / (crediting) the following items:

	Current quarter ended 31 March 2024 RM'000	Period to date ended 31 March 2024 RM'000
Depreciation and amortisation	1,407	3,910
Foreign exchange loss/(gain)	(142)	(151)
Gain on disposal of property, plant and equipment	(114)	(159)
Interest income	(940)	(2,224)
Interest expense	1,447	2,048
Impairment losses on trade receivables	136	198
Reversal of impairment on trade receivables	(435)	(2,458)
Reversal of impairment on contract assets	(3,209)	(3,209)
Stock written off	33	171
Other income	(538)	(1,130)

25. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 29 May 2024.