

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2016 RM'000	CURRENT YEAR TO DATE 30/06/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2016 RM'000
Note					
Revenue	14	85,955	76,000	296,138	248,532
Cost of sales		(62,349)	(50,249)	(210,333)	(170,206)
Gross profit		23,606	25,751	85,805	78,326
Other operating income		4,143	1,032	7,602	1,517
Other operating expenses		(17,044)	(14,574)	(53,931)	(50,035)
Profit from operations		10,705	12,209	39,476	29,808
Finance costs, net		(261)	9	(375)	267
Profit before taxation and zakat	14	10,444	12,218	39,101	30,075
Income tax expense	18	(2,347)	(2,587)	(8,709)	(6,450)
Zakat		-	(30)	-	(30)
Profit for the financial year		8,097	9,601	30,392	23,595
Other comprehensive income:					
Foreign currency translation differences		(912)	(717)	1,776	2,239
Total comprehensive income for the financial year		7,185	8,884	32,168	25,834
Profit attributable to:					
Owners of the Company (PATAMI)		5,903	6,486	21,590	17,127
Non-controlling interests		2,194	3,115	8,802	6,468
		8,097	9,601	30,392	23,595
Total comprehensive income attributable to:					
Owners of the Company		5,330	6,301	22,843	18,863
Non-controlling interests		1,855	2,583	9,325	6,971
		7,185	8,884	32,168	25,834
Basic earnings per share (sen)	23	2.24	2.51	8.28	6.89

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

		(Unaudited)	(Audited)
		AS AT	AS AT
	Note	30/06/2017	30/6/2016
		RM'000	RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,609	9,953
Investment properties		2,761	2,778
Other investments		-	2
Investment in jointly controlled entity		-	1,123
Intangible assets - others		-	3
Intangible assets - goodwill		28,144	28,144
Deferred tax assets		964	963
		46,478	42,966
CURRENT ASSETS			
Amount owing by jointly controlled entity		-	27
Amount due from associated company		393	325
Inventories		18,040	17,819
Tax recoverable		2,998	2,093
Other receivables		5,642	14,543
Trade receivables		112,443	112,546
Deposits with licensed banks, cash and bank balances		66,973	44,715
		206,489	192,068
TOTAL ASSETS		252,967	235,034
EQUITY AND LIABILITIES			
Equity			
Share capital		80,046	78,443
Treasury shares		(855)	(855)
Reserves		61,607	41,410
Equity attributable to owners of the Company		140,798	118,998
Non-controlling interests		28,333	28,808
Total Equity		169,131	147,806
NON-CURRENT LIABILITIES			
Other payables		369	2,682
Provision for end of service benefit		-	347
Long term borrowings	20	3,248	628
Deferred tax liabilities		198	166
		3,815	3,823
CURRENT LIABILITIES			
Other payables		39,796	34,964
Trade payables		36,787	45,677
Provision for taxation		2,125	2,449
Short term borrowings	20	1,313	315
		80,021	83,405
TOTAL LIABILITIES		83,836	87,228
TOTAL EQUITY AND LIABILITIES		252,967	235,034
NET ASSETS PER SHARE (SEN)		53.5	46.1

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

	CURRENT YEAR TO DATE 30/06/2017 RM'000	PREVIOUS YEAR TO DATE 30/06/2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	39,101	30,075
Adjustments for:		
Non-cash items	2,414	8,203
Non-operating items	932	486
Operating profit before working capital changes	42,447	38,764
Net change in current assets	12,207	(73,110)
Net change in current liabilities	(4,307)	38,395
Cash generated from operations	50,347	4,049
Interest paid	(932)	(486)
Taxes paid	(9,908)	(4,853)
Zakat paid	-	(30)
Net cash generated from/(used in) operating activities	39,507	(1,320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in amount owing by jointly controlled entity	(41)	(352)
Net cash outflow from acquisition of subsidiaries	(3,900)	(3,504)
Purchase of plant and equipment	(7,119)	(2,418)
Proceeds from disposals of plant and equipment	265	60
Proceeds from disposals of investment properties	-	120
Net cash inflow from disposal of investment in jointly controlled entity	816	-
Interest received	557	752
Net cash used in investing activities	(9,422)	(5,342)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown/(repayment) of revolving credit/term loans	3,618	(1,207)
Proceed from exercise of employee share options	1,850	751
Dividends paid to owners	(5,214)	-
Dividends paid to non-controlling interest	(9,800)	(3,528)
Net cash used in financing activities	(9,546)	(3,984)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,539	(10,646)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	44,715	53,555
Effects of exchange differences	1,719	1,806
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	66,973	44,715
Cash and cash equivalents comprise:		
Cash and bank balances	44,883	32,191
Deposits with licensed bank	22,090	12,524
	66,973	44,715

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016.

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 FOURTH QUARTER ENDED 30 JUNE 2017

	-----Attributable to Owners of the Company-----										
	-----Non-Distributable-----										
	Share Capital	Share Premium	Treasury Shares	Foreign Exchange Reserves	Revaluation Reserves	Statutory Reserve	Share Reserve	Distributable Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2017											
At 1 July 2016	78,443	10,211	(855)	4,599	2,928	307	-	23,365	118,998	28,808	147,806
Total comprehensive income for the financial year	-	-	-	1,253	-	-	-	21,590	22,843	9,325	32,168
Transaction with owners:											
- Exercise of employee share options	1,603	246	-	-	-	-	2,629	-	4,478	-	4,478
- Disposal of investment in jointly controlled entity	-	-	-	-	-	(307)	-	-	(307)	-	(307)
- Dividend	-	-	-	-	-	-	-	(5,214)	(5,214)	(9,800)	(15,014)
At 30 June 2017	80,046	10,457	(855)	5,852	2,928	-	2,629	39,741	140,798	28,333	169,131
30 June 2016											
At 1 July 2015	68,604	7,649	(855)	2,863	2,928	307	-	10,101	91,597	25,365	116,962
Total comprehensive income for the financial period	-	-	-	1,736	-	-	-	17,127	18,863	6,971	25,834
Contributions by owners of the Company:											
- Shared issued for acquisition of subsidiaries	9,197	2,453	-	-	-	-	-	-	11,650	-	11,650
- Exercise of employee share options	642	109	-	-	-	-	-	-	751	-	751
- Dividend	-	-	-	-	-	-	-	(3,863)	(3,863)	(3,528)	(7,391)
At 30 June 2016	78,443	10,211	(855)	4,599	2,928	307	-	23,365	118,998	28,808	147,806

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 2016.

The accompanying notes are an integral part of this statement.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

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 2016.

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 2016.

Significant Accounting Policies

No new accounting standards and interpretations (including the consequential amendments) have been adopted by the Group during the current financial period.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Shared-based Payment Transactions	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarification of MFRS 15 :Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

1. BASIS OF PREPARATION (CONTINUED)

Significant Accounting Policies (Continued)

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

- (a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is currently assessing the financial impact of adopting MFRS 9.
- (b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impact of MFRS 15 until the Group performs a detailed review.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2016 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 FOURTH QUARTER ENDED 30 JUNE 2017

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) 1,385,550 ordinary shares of RM0.30 each were issued at an exercise price of 33.6 sen per share; and
- ii) 306,000 ordinary shares of RM0.30 each were issued at an exercise price of 42.3 sen per share.

Options to subscribe for 21,664,800 ordinary shares of RM0.30 each remain unexercised as at 30 June 2017.

The number of treasury shares held as at 30 June 2017 is as follows:-

	No. of shares	Amount RM
Balance of treasury shares as at 1 July 2016	3,326,800	855,221
Add: Purchase of treasury shares during the period under review	-	-
Balance of treasury shares as at 30 June 2017	3,326,800	855,221

7. DIVIDENDS PAID

On 10 January 2017, the Company paid a final single tier dividend of 1.0 sen (2015: Nil) per ordinary share in respect of the financial year ended 30 June 2016 amounting to approximately RM2.6 million (2015: Nil).

On 5 April 2017, the Company paid a single tier interim dividend of 1.0 sen (2016: 1.5 sen) per ordinary share in respect of the financial year ended 30 June 2017 amounting to approximately RM2.6 million (2016: RM3.9 million).

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

8. SEGMENTAL INFORMATION

The segment information for the current year ended 30 June 2017 is as follows:

	Investment Holding	Facilities Division	Engineering Division	Environment Division	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	135,191	118,867	68,923	(26,843)	296,138
Segment (loss)/profit	(4,918)	14,283	7,540	22,196	-	39,101
Segment assets	102,459	76,034	81,031	92,560	(99,117)	252,967

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

There were no material events subsequent to 30 June 2017 to the date of this report that have not been reflected in the financial statements for the current financial year.

11. CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the current quarter.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at the date of this report.

13. COMMITMENTS

There were no material commitments which require disclosure in this report except for the following:

	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	2,232	1,882
Later than 1 year and not later than 2 years	1,454	967
Later than 2 years and not later than 5 years	2,699	924
Later than 5 years	2,818	-
	<u>9,203</u>	<u>3,773</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

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

14. PERFORMANCE REVIEW BY SEGMENTS

Revenue	Current quarter ended 30 June 2017 Q4/FY2017 RM'000	Current year to-date ended 30 June 2017 YTD FY2017 RM'000	Preceding year corresponding year ended 30 June 2016 YTD FY2016 RM'000	Variance for year-to-date [Favorable / (adverse)] RM'000
Facilities	27,698	115,554	96,658	18,896
Environment	21,129	68,923	74,353	(5,430)
Engineering	37,128	111,661	78,329	33,332

Segment profit/(loss)	Current quarter ended 30 June 2017 Q4/FY2017 RM'000	Current year to-date ended 30 June 2017 YTD FY2017 RM'000	Preceding year corresponding year ended 30 June 2016 YTD FY2016 RM'000	Variance for year-to-date [Favorable / (adverse)] RM'000
Facilities	2,128	14,283	11,248	3,035
Environment	6,302	22,196	17,128	5,068
Engineering	3,279	7,540	3,680	3,860

14.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q4/FY17 amounted to RM27.7m, compared to RM29.1m in Q3/FY17. This decrease of RM1.4m/5% was due to the fact that the amount of additional work undertaken under our Concession contract in Q4/FY17 was less than that done in Q3/FY17.

PBT for Q4/FY17 amounted to RM2.1m vs RM7.3m in Q3/FY17. The drop in profits was mainly due to the normalization of certain cost items which were reversed out in Q3/FY17 as they were no longer necessary. No such reversals were effected in Q4/FY17.

Year on Year (“YoY”)

As compared to Q4/FY16 revenue of RM26.9m, revenue increased only slightly by RM0.8m/3%. Revenue between the two quarters compared on a YoY basis remained quite consistent.

PBT in Q4/FY17 of RM2.1m vs Q4/FY16 RM5.7m, a drop of RM3.6m/63% is attributable to the higher gross margins earned in Q4/FY16, due to:

- i) Commencement of a certain maintenance contract where the facility was under defect liability period.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division (continued)

- ii) Absorption of certain Goods and Services Taxes which were not recognized in Q4/FY16. We are pursuing the refund of these taxes paid from the Government.

14.2 Environment Division

QoQ

Revenue for Q4/FY17 amounted to RM21.1m, compared to RM14.2m for Q3/FY17, an increase of RM6.9m/49%. The increase in Q4/FY17 was due to good progress achieved on certain contracts where delays were experienced in Q3/FY17.

PBT in Q4/FY17 amounted to RM6.3m, compared to RM3.4m in Q3/FY17, an increase of RM2.9m/85%. This increase was consistent with the higher revenue earned, slight improvement in gross margins earned, as well as recovery of certain debts that had previously been provided for.

YoY

Revenue for Q4/FY17 of RM21.1m has shown an increase from Q4/FY16 of RM19.7m by RM1.4m/7%. As stated above in the analysis comparing the QoQ performance, good progress was achieved on certain contracts undertaken.

PBT for Q4/FY17 of RM6.3m vs RM6.8m in Q4/FY16, a slight drop of RM0.5m/7%. This drop was seen despite the increase in revenues earned in Q4/FY17, as Q4/FY16 performance was due to delivery of certain big ticket items with higher gross margins.

14.3 Engineering Division

QoQ

Revenue in Q4/FY17 amounted to RM37.1m vs RM24.1m in Q3/FY17, an increase of RM13.0m/54%. This increase was due to good progress achieved in contracts undertaken, for both the Air-Cond and Plumbing segments of our business. The good progress achieved included certain projects which were completed and handed over.

PBT of RM3.3m vs RM1.6m in Q3/FY17, an increase of RM1.7m/106%. This was due to higher revenues registered in Q4/FY17 coupled with improvement in gross margins earned within the Plumbing segment.

YoY

Revenue in Q4/FY17 of RM37.1m vs RM28.6m in Q4/FY16, an increase of RM8.5m/30%. As stated under QoQ, this increase was due to good progress achieved in both the Air Cond and Plumbing segments, including completion and handing over of certain projects.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division (continued)

PBT for Q4/FY17 amounted to RM3.3m vs RM2.0m in Q4/FY16, an increase of RM1.3m/65%. As stated under QoQ, this was due to higher revenues registered in Q4/FY17 coupled with improvement in gross margins earned within the Plumbing segment.

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

	Current quarter ended 30 June 2017 Q4/FY2017 RM'000	Preceding quarter ended 31 March 2017 Q3/FY2017 RM'000	Variance [Favorable/ (adverse)] RM'000
Profit before taxation and zakat	10,444	9,201	1,243

The strong results shown by the Group over the last two financial years continues. On a QoQ basis, PBT in Q4/FY17 shown an improvement, bucking a trend seen since Q4/FY16 where PBT reported had dropped.

This improvement in PBT has been achieved on the back of higher revenues earned, as well collection of certain debts in the Environment Division.

16. COMMENTARY ON PROSPECTS

The Group's prospects remain strong. The Group has enjoyed three years with strong financial results, with strong growth seen between FY15 to FY17. Whilst in FY16 we achieved record breaking results, this has been outdone with FY17 results.

This has been achieved with a strong order book that encompasses all three divisions, as well as short term and long term contracts (the Concession).

We expect the Group's strong financial performance to continue throughout the coming financial year (FY18).

We set out below our analysis of prospects by Divisions:

16.1 Facilities Division

The Concession Agreement (CA) for the renewal of the maintenance concession for the Southern Region (Johor, Malacca, Negeri Sembilan) and Sarawak was signed in early March 2016. This contract is for 10 years, from 1.1.16 to 31.12.25. Initial rate p.a. is set at approximately RM52 mil for the first 5 years, with automatic increase to RM59 mil p.a. from year 6 to 10.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.1 Facilities Division (continued)

In addition, together with the new CA, we also signed a contract to undertake the Critical Asset Refurbishment Programme, or CARP, over the next ten years. Under this contract, we are to undertake the CARP over various locations, and based on predetermined timing/schedules. Under this CARP we are to be paid RM140 mil over ten years (the renewed concession period), equaling approximately RM1.16 mil monthly. These two contracts significantly improve the Group's long term prospects. Contribution from the CARP contract was insignificant in the past. We expect a higher contribution to our revenue and profit performance to our overall numbers from our CARP contract in the next several years.

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

16.2 Environment Division

The Environment Division has contracts on hand that will tide it over for the next two financial years (FY18 and FY19). Projects where we experienced project delays in the past have caught up over the last two quarters. Prospects remain good for this Division.

We have also recently secured several contracts which will contribute to the Environment Division's performance over the next two financial years.

16.3 Engineering Division

Air conditioning project segment

The projects undertaken here which previously experienced certain delays i.e. in the Xiamen University and in Capital 21 projects have caught up. Work on the Xiamen University contract has been completed. The Capital 21 project is progressing well and are nearing completion. We have recently secured new contracts in this segment which are now getting active. Implementation of these new contracts will contribute positively to our financial performance and prospects for this Division.

Plumbing segment

The acquisition of our plumbing (Qudotech Sdn Bhd, "Qudotech") and rainwater harvesting (DD Technique Sdn Bhd) businesses were completed in early October 2015 (Q2/FY16). Under the terms of the acquisition, the owners of these two companies provide a profit guarantee of RM3.9 mil profit after tax per year for FY2016 and FY2017. The profit guarantee for FY16 was comfortably met.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017**

16. COMMENTARY ON PROSPECTS (CONTINUED)

16.3 Engineering Division (continued)

Plumbing Segment (continued)

In addition, and as previously announced, Qudotech has also secured the contract for the plumbing works in the KL118 (Warisan Merdeka) project (RM62 mil), for the MAS building refurbishment and construction (RM19 mil), and most recently for the Signature Tower in the Tun Razak Exchange (TRX).

Recently Qudotech was awarded the contract for plumbing works for approximately RM4.2 mil for Media City in the Klang Valley. This is expected to complete around June 2019.

The implementation of these new contracts (in addition to contracts already on hand) are expected to keep us busy for the next three financial years, until end of 30 June 2020 at least.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSE

	Current quarter ended 30 June 2017 Q4/FY2017 RM'000	Year to date ended 30 June 2017 YTD FY2017 RM'000
Profit before taxation and zakat	10,444	39,101
Income tax expense for the period	<u>(2,347)</u>	<u>(8,709)</u>
Effective tax rate	<u>22.5%</u>	<u>22.3%</u>

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, the lower tax rates enjoyed by our Singapore subsidiaries and pioneer status tax incentive enjoyed by certain subsidiaries of the Group.

19. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the latest practicable date.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

20. BORROWINGS

	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Secured short-term borrowings:		
Term loan	-	15
Hire purchase payables	1,313	300
Total short-term borrowings	1,313	315
Secured long-term borrowings:		
Term loan	108	109
Hire purchase payables	3,140	519
	3,248	628
Total borrowings	4,561	943

All of the above borrowings are denominated in Ringgit Malaysia.

21. MATERIAL LITIGATION

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

22. PROPOSED DIVIDEND

The Board of Directors had on 5 April 2017 paid a single tier interim dividend of 1.0 sen (2016: 1.5 sen) per ordinary share in respect of the financial year ended 30 June 2017.

The Board of Directors now propose the payment of a final single tier dividend of 1.0 sen (2016: 1.0 sen) per ordinary share for the financial year ended 30 June 2017. This proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company

The entitlement and payment dates shall be finalised and announced in due course.

The payment of the proposed final dividend once approved by shareholders would bring the total dividend payout in respect of financial year ended 30 June 2017 to a total of 2.0 sen (2016: 2.5 sen) per ordinary share.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

23. EARNINGS PER SHARE

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

	Current quarter ended 30 June 2017 Q4/FY2017	Year to date ended 30 June 2017 YTD FY2017
Profit attributable to owners of the Company (RM'000)	5,903	21,590
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	263,331	260,601
Basic earnings per share (sen)	<u>2.24</u>	<u>8.28</u>

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

24. REALISED AND UNREALISED PROFITS

	As at 30 June 2017 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	102,646
- Unrealised	<u>761</u>
	103,407
Less: Consolidation adjustments	<u>(63,666)</u>
Total group retained profit as per consolidated accounts	<u>39,741</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and year to-date ended 30 June 2017 is stated after charging / (crediting) the following items:

	Current quarter ended 30 June 2017 Q4/FY2017 RM'000	Year to date ended 30 June 2017 YTD FY2017 RM'000
Interest income	(168)	(557)
Other (income)/expenses*	(4,143)	(7,602)
Interest expense	429	932
Depreciation and amortization	1,713	6,464
Provision for and write off of inventories	85	85
(Gain)/loss on disposal of quoted or unquoted investments or properties	(35)	(216)
Foreign exchange (gain)/loss	(1,010)	(1,019)

*This includes write back of trade receivables and provision for retirement benefit of approximately RM4.2 million and RM2.1 million respectively recognized in the current and previous quarters.

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 29 August 2017.