

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/09/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2016 RM'000	CURRENT PERIOD TO DATE 30/09/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2016 RM'000
Revenue	14	66,204	67,123	66,204	67,123
Cost of sales		(49,322)	(47,015)	(49,322)	(47,015)
<b>Gross profit</b>		<b>16,882</b>	<b>20,108</b>	<b>16,882</b>	<b>20,108</b>
Other operating income		1,117	1,981	1,117	1,981
Other operating expenses		(9,898)	(12,237)	(9,898)	(12,237)
<b>Profit from operations</b>		<b>8,101</b>	<b>9,852</b>	<b>8,101</b>	<b>9,852</b>
Finance (costs)/income, net		(44)	249	(44)	249
<b>Profit before taxation</b>	14	<b>8,057</b>	<b>10,101</b>	<b>8,057</b>	<b>10,101</b>
Taxation	18	(1,727)	(1,868)	(1,727)	(1,868)
<b>Profit after taxation for the financial period</b>		<b>6,330</b>	<b>8,233</b>	<b>6,330</b>	<b>8,233</b>
<b>Other comprehensive income:</b>					
Foreign currency translation differences		(74)	(1,429)	(74)	(1,429)
<b>Total comprehensive income for the financial period</b>		<b>6,256</b>	<b>6,804</b>	<b>6,256</b>	<b>6,804</b>
<b>Profit attributable to:</b>					
Owners of the Company		5,063	5,438	5,063	5,438
Non-controlling interests		1,267	2,795	1,267	2,795
		<b>6,330</b>	<b>8,233</b>	<b>6,330</b>	<b>8,233</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		5,076	4,861	5,076	4,861
Non-controlling interests		1,180	1,943	1,180	1,943
		<b>6,256</b>	<b>6,804</b>	<b>6,256</b>	<b>6,804</b>
<b>Basic earnings per share (sen)</b>	23	<b>1.91</b>	<b>2.41</b>	<b>1.91</b>	<b>2.41</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

The accompanying notes are an integral part of this statement.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	30/09/2017	30/6/2017
	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	14,015	14,592
Investment properties	2,752	2,778
Intangible assets - goodwill	28,144	28,144
Deferred tax assets	995	1,042
	<b>45,906</b>	<b>46,556</b>
<b>CURRENT ASSETS</b>		
Inventories	16,647	18,050
Tax recoverable	2,641	3,398
Other receivables	14,960	21,797
Trade receivables	125,852	134,925
Deposits with licensed banks, cash and bank balances	67,516	67,691
	<b>227,616</b>	<b>245,861</b>
<b>TOTAL ASSETS</b>	<b>273,522</b>	<b>292,417</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	91,315	91,115
Treasury shares	(855)	(855)
Foreign exchange reserve	5,885	5,872
Revaluation reserve	2,928	2,928
Share option reserve	2,018	2,018
Retained profits	45,232	40,169
<b>Equity attributable to owners of the Company</b>	<b>146,523</b>	<b>141,247</b>
Non-controlling interests	29,611	28,431
<b>Total Equity</b>	<b>176,134</b>	<b>169,678</b>
<b>NON-CURRENT LIABILITIES</b>		
Other payables	393	369
Provision for end of service benefit	505	487
Long term borrowings	20 1,949	2,147
Deferred tax liabilities	229	276
	<b>3,076</b>	<b>3,279</b>
<b>CURRENT LIABILITIES</b>		
Other payables	57,615	71,958
Trade payables	33,431	43,290
Provision for taxation	587	1,556
Short term borrowings	20 2,679	2,656
	<b>94,312</b>	<b>119,460</b>
<b>TOTAL LIABILITIES</b>	<b>97,388</b>	<b>122,739</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>273,522</b>	<b>292,417</b>
<b>NET ASSETS PER SHARE (SEN)</b>	<b>55.4</b>	<b>53.6</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

The accompanying notes are an integral part of this statement.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

	CURRENT YEAR TO DATE  30/09/2017 RM'000	PREVIOUS YEAR TO DATE  30/09/2016 RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Profit before taxation	8,057	10,101
Adjustments for:		
Non-cash items	1,760	(364)
Non-operating items	44	197
<b>Operating profit before working capital changes</b>	<b>9,861</b>	<b>9,934</b>
Net change in current assets	17,305	9,630
Net change in current liabilities	(25,201)	6,487
<b>Cash generated from operations</b>	<b>1,965</b>	<b>26,051</b>
Interest paid	(266)	(197)
Taxes paid	(1,939)	(1,694)
<b>Net cash (used in)/generated from operating activities</b>	<b>(240)</b>	<b>24,160</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in amount owing by jointly controlled entity	-	3
Purchase of plant and equipment	(123)	(1,301)
Proceeds from disposals of plant and equipment	-	24
Net cash inflow from disposal of investment in jointly controlled entity	-	816
Interest received	222	445
<b>Net cash generated from/(used in) investing activities</b>	<b>99</b>	<b>(13)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
(Repayment)/drawdown of revolving credit/term loans	(175)	908
Proceed from exercise of employee share options	201	313
<b>Net cash generated from financing activities</b>	<b>26</b>	<b>1,221</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(115)</b>	<b>25,368</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<b>67,691</b>	<b>44,715</b>
Effects of exchange differences	(60)	(1,434)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>67,516</b>	<b>68,649</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	27,410	44,736
Deposits with licensed bank	40,106	23,913
	<b>67,516</b>	<b>68,649</b>

The Condensed Consolidated Statement of Cash flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

The accompanying notes are an integral part of this statement.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

	-----[Non - Distributable]-----						Distributable	Total	Non-Controlling Interests	Total Equity	
	Share Capital	Share Premium *	Treasury Shares	Foreign Exchange Reserves	Revaluation Reserves	Statutory Reserve	Share Option Reserves				Retained Profits
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>30 September 2017</b>											
At 1 July 2017	91,115	-	(855)	5,872	2,928	-	2,018	40,169	141,247	28,431	169,678
Other comprehensive income for the financial year	-	-	-	-	-	-	-	5,063	5,063	1,267	6,330
- Foreign currency translation reserve	-	-	-	13	-	-	-	-	13	(87)	(74)
Total comprehensive income for the financial year	-	-	-	13	-	-	-	5,063	5,076	1,180	6,256
Transaction with owners:											
- Exercise of employee share options	200	-	-	-	-	-	-	-	200	-	200
- Dividend	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 September 2017</b>	<b>91,315</b>	<b>-</b>	<b>(855)</b>	<b>5,885</b>	<b>2,928</b>	<b>-</b>	<b>2,018</b>	<b>45,232</b>	<b>146,523</b>	<b>29,611</b>	<b>176,134</b>
<b>30 September 2016</b>											
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	-	-	-	(577)	-	-	-	5,438	4,861	1,943	6,804
Transaction with owners:											
- Exercise of employee share options	265	48	-	-	-	-	-	-	313	-	313
- Disposal of investment in jointly controlled entity	-	-	-	-	-	(307)	-	-	(307)	-	(307)
<b>At 30 September 2016</b>	<b>78,708</b>	<b>10,259</b>	<b>(855)</b>	<b>4,022</b>	<b>2,928</b>	<b>-</b>	<b>-</b>	<b>28,803</b>	<b>123,865</b>	<b>30,751</b>	<b>154,616</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2017.

The accompanying notes are an integral part of this statement.

\* The new Companies Act 2016 (the "Act") which came into operation on 31 January 2017 abolished the concept of par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2017.

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 2017.

**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, amendments to 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:

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective date</b>
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 10 and MFRS 128 (2011): Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date yet to be determined by the MASB
IC Interpretations 22 Foreign Currency Translation and Advance Consideration	1 January 2018
Amendments to MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS 2014 – 2016)	1 January 2018
Amendments to MFRS 140: Transfer of Investment Property	1 January 2018

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**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 2017 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 FIRST QUARTER ENDED 30 SEPTEMBER 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) 266,080 ordinary shares of RM0.30 each were issued at an exercise price of 33.6 sen per share; and
- ii) 207,600 ordinary shares of RM0.30 each were issued at an exercise price of 42.3 sen per share.

Options to subscribe for 21,193,120 ordinary shares of RM0.30 each remain unexercised as at 30 September 2017.

Treasury Shares

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

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

**7. DIVIDENDS PAID**

No dividend was paid in the current quarter.

**8. SEGMENTAL INFORMATION**

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

	Investment Holding RM'000	Facilities Division RM'000	Engineering Division RM'000	Environment Division RM'000	Adjustments and Eliminations RM'000	Total RM'000
Revenue	375	35,529	21,620	15,094	(6,414)	66,204
Segment profit/(loss)	(163)	6,786	(1,458)	2,892	-	8,057
Segment assets	102,536	94,237	74,947	94,084	(92,282)	273,522

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**9. CARRYING AMOUNT OF REVALUED ASSETS**

Not Applicable.

**10. SIGNIFICANT AND SUBSEQUENT EVENT**

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

**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:

	<b>As at 30.9.2017 RM'000</b>	<b>As at 30.6.2017 RM'000</b>
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,822	2,232
Later than 1 year and not later than 2 years	775	1,454
Later than 2 years and not later than 5 years	1,951	2,699
Later than 5 years	-	2,818
	<u>4,548</u>	<u>9,203</u>



**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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	Current	Preceding year	Variance for year-to-date [Favorable / (adverse)]
	quarter ended 30 September 2017	period to-date ended 30 September 2017	corresponding period ended 30 September 2016	
	RM'000	RM'000	RM'000	RM'000
Facilities	31,279	31,279	29,053	2,226
Environment	15,094	15,094	16,373	(1,279)
Engineering	19,830	19,830	21,697	(1,867)
<b>Segment profit/(loss)</b>				
	Current	Current	Preceding year	Variance for year-to-date [Favorable / (adverse)]
	quarter ended 30 September 2017	period to-date ended 30 September 2017	corresponding period ended 30 September 2016	
	RM'000	RM'000	RM'000	RM'000
Facilities	6,786	6,786	2,102	4,684
Environment	2,892	2,892	6,921	(4,029)
Engineering	(1,458)	(1,458)	1,562	(3,020)

**14.1 Facilities Division**

**Quarter on Quarter (“QoQ”)**

Revenue for Q1/FY18 amounted to RM31.3m, compared to RM27.7m in Q4/FY17. This increase of RM3.6m/13% was due to the commencement of three (3) new contracts in Putrajaya in the months of August and September 2017, as previously announced.

Segment profit for Q1/FY18 amounted to RM6.8m vs RM0.9m in Q4/FY17. The increase in profits was mainly due to improved revenue, cost savings on mobilization costs incurred on the new contracts, higher fee (and therefore margin earned) on certain contracts. Q4/FY17 also included certain costs (FRS2 ~ Share Based Payments in relation to the Employee Share Option Scheme “ESOS”) which are not repeated in Q1/FY18.

**Year on Year (“YoY”)**

As compared to Q1/FY17 revenue of RM29.1m, revenue increased by RM2.1m/7%. This small increase was caused by the commencement of new projects in Putrajaya as mentioned above.

Segment profit in Q1/FY18 of RM6.8m vs Q1/FY17 of RM2.1m, an increase of RM4.7m/223%. As stated above, the increase in profits was mainly due to improved revenue, cost savings on mobilization costs incurred on the new contracts, higher fee (and therefore margin earned) on certain contracts.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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

**14.2 Environment Division**

**QoQ**

Revenue for Q1/FY18 amounted to RM15.1m, compared to RM21.1m for Q4/FY17, a decrease of RM6.0m/28%. The decrease in Q1/FY18 was due to good progress achieved on certain contracts in Q4/FY17 compounded by certain project delays experienced in Q1/FY18. These delays are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us.

Segment profit in Q1/FY18 amounted to RM2.9m, compared to RM5.9m in Q4/FY17, a decrease of RM3.0m/54%. This decrease in Q1/FY18 was consistent with the lower revenue earned, slight drop in gross margins earned, as well as lower recovery of bad debts compared to Q4/FY17.

**YoY**

Revenue for Q1/FY18 of RM15.1m has shown a decrease from Q1/FY17 of RM16.4m by RM1.3m/8%. This decrease was due to certain project delays experienced in the contracts being done. These delays are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us.

Segment profit for Q1/FY18 of RM2.9m vs RM6.9m in Q1/FY17, a decrease of RM4.0m/58%. This drop was due to the delivery of certain big ticket items with higher gross margins in Q1/FY17 (resulting in stronger margins earned). This decrease was further exacerbated by a higher bad debt recovery in Q1/FY17 against that for Q1/FY18.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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

**14.3 Engineering Division**

**QoQ**

Revenue in Q1/FY18 amounted to RM19.8m compared to RM37.1m in Q4/FY17, a decrease of RM17.3m/46%. This decrease was due to good progress achieved in contracts undertaken in the previous quarter (Q4/FY17) exacerbated by delays experienced in Q1/FY18. As already stated for the Environment Division, these delays experienced here are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us.

Segment loss of RM1.5m vs segment profit of RM2.7m in Q4/FY17, a decrease of RM4.2m/>100%. As mentioned this was due to project delays in certain contracts in the Plumbing segment, as well as margin compressions experienced in the Air Cond segment. These delays are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us. The margin compression experienced in the Air Cond segment are not expected to recur in the future.

**YoY**

Revenue in Q1/FY18 of RM19.8m vs RM21.7m in Q1/FY17, a decrease of RM1.9m/8%. As stated under QoQ, this decrease was due to good progress achieved in both the Air Cond and Plumbing segments in Q1/FY17, exacerbated by delays experienced in Q1/FY18.

Segment loss for Q1/FY18 amounted to RM1.5m vs segment profit of RM1.6m in Q1/FY17, a decrease of RM3.1m/>100%. As stated under QoQ, this was due to project delays in certain contracts in the Plumbing segment, as well as margin compressions experienced in the Air Cond segment. These delays are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us. The margin compression experienced in the Air Cond segment are not expected to recur in the future.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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

	Current quarter ended 30 September 2017	Preceding quarter ended 30 June 2017	Variance [Favorable/ (adverse)]
	RM'000	RM'000	RM'000
Revenue	66,204	85,955	(19,751)
Profit before taxation and zakat	8,057	10,445	(2,388)

The strong results shown by the Group over the last two financial years continues, backed by our strong order book. On a QoQ basis, Revenue showed a decrease, of approximately RM20m/23%. As stated in the Segmental Review, the lower Revenues were contributed largely by delays experienced in the Engineering and Environment Divisions.

PBT in Q1/FY18 showed a decrease from Q4/FY17 in line with the lower Revenues earned, because of the project delays mentioned. These delays are expected to catch up in the ensuing quarters, and are not expected to have any detrimental financial impact on us.

**16. COMMENTARY ON PROSPECTS**

The Group's prospects remain strong. FY17 was a record breaking year for our financial results.

This has been achieved on the back of 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.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**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. We expect positive contribution to our revenue and profit performance 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). In this quarter we experienced project delays in certain contracts. They are expected to catch up in the ensuing 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 segment**

The Capital 21 project is progressing well and is 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 Techniche 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 guarantees for FY16 and FY17 were comfortably met.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**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), Signature Tower in the Tun Razak Exchange (TRX) (RM18.1m), Media City (RM4.2m), and most recently for the 8 Conlay development which will house Kempinski Hotel and Serviced Apartments (RM32.6m).

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**

	<b>Current quarter ended 30 September 2017 RM'000</b>	<b>Period to date ended 30 September 2017 RM'000</b>
Profit before taxation and zakat	8,057	8,057
Income tax expense for the period	<u>(1,727)</u>	<u>(1,727)</u>
Effective tax rate	<u>21.4%</u>	<u>21.4%</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 at the date of this report.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**20. BORROWINGS**

	<b>As at 30 September 2017 RM'000</b>	<b>As at 30 June 2017 RM'000</b>
Secured short-term borrowings:		
Term loan	-	16
Revolving credit	2,007	2,007
Hire purchase payables	672	633
Total short-term borrowings	<u>2,679</u>	<u>2,656</u>
Secured long-term borrowings:		
Term loan	-	92
Hire purchase payables	1,949	2,055
	<u>1,949</u>	<u>2,147</u>
Total borrowings	<u><u>4,628</u></u>	<u><u>4,803</u></u>

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 proposed a final single tier dividend of 1.0 sen (2016: 1.0) per ordinary share for the financial year ended 30 June 2017. The proposed dividend has been approved by the shareholders at the Sixteenth Annual General Meeting of the Company held on 21 November 2017.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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**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:

	<b>Current quarter ended 30 September 2017</b>	<b>Period to date ended 30 September 2017</b>
Profit attributable to owners of the Company (RM'000)	5,063	5,063
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	264,588	264,588
Basic earnings per share (sen)	<u>1.91</u>	<u>1.91</u>

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

**24. REALISED AND UNREALISED PROFITS**

	<b>As at 30 September 2017 RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- Realised	109,265
- Unrealised	<u>766</u>
	110,031
Less: Consolidation adjustments	<u>(64,799)</u>
Total group retained profit as per consolidated accounts	<u>45,232</u>



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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017**

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

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

	<b>Current quarter ended 30 September 2017 RM'000</b>	<b>Period to date ended 30 September 2017 RM'000</b>
Interest income	(222)	(222)
Other income*	(1,116)	(1,116)
Interest expense	266	266
Depreciation and amortization	1,710	1,710
Foreign exchange loss	173	173

\*This includes write back of trade receivables of approximately RM1.0 million recognized in the current quarter.

**26. AUTHORISATION FOR ISSUE**

This interim financial report has been approved by the Board of Directors of the Company for issuance on 21 November 2017.