

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/03/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2017 RM'000	CURRENT PERIOD TO DATE 31/03/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2017 RM'000
Revenue	14	75,252	67,422	209,809	210,183
Cost of sales		(50,936)	(47,587)	(151,859)	(147,984)
Gross profit		24,316	19,835	57,950	62,199
Other operating income		187	1,027	1,710	3,458
Other operating expenses		(13,452)	(11,541)	(33,829)	(36,887)
Profit from operations		11,051	9,321	25,831	28,770
Finance income/(costs), net		130	(120)	422	(114)
Profit before taxation	14	11,181	9,201	26,253	28,656
Taxation	18	(2,672)	(2,692)	(5,958)	(6,362)
Profit after taxation for the financial period		8,509	6,509	20,295	22,294
Other comprehensive income:					
Foreign currency translation differences		(1,097)	2,545	711	2,688
Total comprehensive income for the financial period		7,412	9,054	21,006	24,982
Profit attributable to:					
Owners of the Company		6,857	5,030	16,980	15,686
Non-controlling interests		1,652	1,479	3,315	6,608
		8,509	6,509	20,295	22,294
Total comprehensive income attributable to:					
Owners of the Company		3,117	4,821	15,531	17,512
Non-controlling interests		4,295	4,233	5,475	7,470
		7,412	9,054	21,006	24,982
Basic earnings per share (sen)	23	2.54	1.92	6.36	6.04

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 THIRD QUARTER ENDED 31 MARCH 2018**

	(Unaudited)	(Audited)
	AS AT	AS AT
Note	31/03/2018	30/6/2017
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	14,053	14,592
Investment properties	2,778	2,778
Intangible assets - goodwill	28,144	28,144
Deferred tax assets	996	1,042
	45,971	46,556
CURRENT ASSETS		
Inventories	18,086	18,050
Tax recoverable	2,304	3,398
Other receivables	18,776	21,797
Trade receivables	126,690	134,925
Deposits with licensed banks, cash and bank balances	46,698	67,691
	212,554	245,861
TOTAL ASSETS	258,525	292,417
EQUITY AND LIABILITIES		
Equity		
Share capital	93,104	91,115
Treasury shares	(855)	(855)
Foreign exchange reserve	4,423	5,872
Revaluation reserve	2,928	2,928
Share option reserve	2,018	2,018
Retained profits	54,475	40,169
Equity attributable to owners of the Company	156,093	141,247
Non-controlling interests	33,906	28,431
Total Equity	189,999	169,678
NON-CURRENT LIABILITIES		
Other payables	352	369
Provision for end of service benefit	489	487
Long term borrowings	20 2,220	2,147
Deferred tax liabilities	229	276
	3,290	3,279
CURRENT LIABILITIES		
Other payables	35,750	71,958
Trade payables	28,604	43,290
Provision for taxation	1	1,556
Short term borrowings	20 881	2,656
	65,236	119,460
TOTAL LIABILITIES	68,526	122,739
TOTAL EQUITY AND LIABILITIES	258,525	292,417
NET ASSETS PER SHARE (SEN)	57.3	53.6

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 THIRD QUARTER ENDED 31 MARCH 2018

	CURRENT YEAR TO DATE 31/03/2018 RM'000	PREVIOUS YEAR TO DATE 31/03/2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	26,253	28,656
Adjustments for:		
Amortisation of intangible assets	-	3,000
Reversal of impairment on receivables	(1,003)	(2,357)
Depreciation of property, plant and equipment	1,996	1,751
Provision for end of service benefit	1	-
Reversal of retirement benefit obligation	(16)	(2,338)
Gain on disposal of property, plant and equipment	(97)	(181)
Share options granted under Share Option Plan	-	2,153
Finance (income)/expense, net	(422)	114
Operating profit before working capital changes	26,712	30,798
Increase in inventories	(36)	(133)
Decrease in receivables	12,258	12,841
Decrease in payables	(47,954)	(16,077)
Cash (used in)/generated from operations	(9,020)	27,429
Interest paid	(591)	(503)
Taxes paid	(6,419)	(6,110)
Net cash (used in)/generated from operating activities	(16,030)	20,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in amount owing by jointly controlled entity	-	(41)
Purchase of plant and equipment	(1,574)	(3,830)
Proceeds from disposals of plant and equipment	100	220
Net cash inflow from disposal of investment in jointly controlled entity	-	816
Interest received	1,013	389
Net cash used in investing activities	(461)	(2,446)
CASH FLOWS FOR FINANCING ACTIVITIES		
(Repayment)/drawdown of revolving credit/term loans	(1,702)	1,317
Proceed from exercise of employee share options	1,990	1,255
Dividends paid to owners	(2,674)	(2,600)
Net cash generated from financing activities	(2,386)	(28)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,877)	18,342
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	67,691	44,715
Effects of exchange differences	(2,116)	2,647
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	46,698	65,704
Cash and cash equivalents comprise:		
Cash and bank balances	25,531	41,987
Deposits with licensed bank	21,167	23,717
	46,698	65,704

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.

AWC BERHAD

(Company No. 550098-A)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 MARCH 2018

	Share Capital	Share Premium *	[Non - Distributable]				Statutory Reserve	Share Option Reserves	Distributable Retained Profits	Total	Non- Controlling Interests	Total Equity
			Treasury Shares	Foreign Exchange Reserves	Revaluation Reserves							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 Marc 2018												
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	-	-	-	-	-	-	-	16,980	16,980	3,315	20,294	
-Foreign currency translation reserve	-	-	-	(1,449)	-	-	-	-	(1,449)	2,160	711	
Total comprehensive income for the financial year	-	-	-	(1,449)	-	-	-	16,980	15,531	5,475	21,005	
Transaction with owners:												
- Exercise of employee share options	1,989	-	-	-	-	-	-	-	1,989	-	1,989	
- Dividend	-	-	-	-	-	-	-	(2,674)	(2,674)	-	(2,674)	
At 31 March 2018	93,104	-	(855)	4,423	2,928	-	2,018	54,475	156,093	33,906	189,998	
31 March 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	-	-	-	1,826	-	-	-	15,686	17,512	7,470	24,982	
Transaction with owners:												
- Exercise of employee share options	1,096	159	-	-	-	-	2,153	-	3,408	-	3,408	
- Disposal of investment in jointly controlled entity	-	-	-	-	-	(307)	-	-	(307)	-	(307)	
- Dividend	-	-	-	-	-	-	-	(5,214)	(5,214)	-	(5,214)	
At 31 March 2017	79,539	10,370	(855)	6,425	2,928	-	2,153	33,837	134,397	36,278	170,675	

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 THIRD QUARTER ENDED 31 MARCH 2018

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.

Adoption of Amendments/Improvements to MFRSs

The Group adopted the following amendments/improvements to MFRSs:

Amendments/Improvements to MFRSs

MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

New MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective

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

**Effective
for financial
periods
beginning
on or after**

New MFRSs

MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

1. BASIS OF PREPARATION (CONTINUED)

New MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective (Continued)

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

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs(continued)</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The following are brief discussion on the three new MFRSs which may be relevant to the Group:

MFRS 9 *Financial Instruments*

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments. In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

1. BASIS OF PREPARATION (CONTINUED)

New MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective (Continued)

The following are brief discussion on the three new MFRSs which may be relevant to the Group (continued.):

MFRS 9 Financial Instruments (Continued)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- i. identify the contracts with a customer;
- ii. identify the performance obligation in the contract;
- iii. determine the transaction price;
- iv. allocate the transaction price to the performance obligations in the contract;
- v. recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

1. BASIS OF PREPARATION (CONTINUED)

New MFRSs, amendments/improvements to MFRSs and new IC Interpretations that have been issued, but yet to be effective (Continued)

The following are brief discussion on the three new MFRSs which may be relevant to the Group (continued.):

MFRS 15 Revenue from Contracts with Customers (Continued)

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

5. CHANGE IN ESTIMATES

There was no change in estimates of amounts reported in the prior financial year that have a material effect in the current quarter under review.

6. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter under review, except for the issuance of new AWC shares in line with the Group's Employee Share Option Scheme ("ESOS"), as follows:

- i) 11,298,360 ordinary shares were issued at an exercise price of 33.6 sen per share; and
- ii) 1,904,212 ordinary shares were issued at an exercise price of 42.3 sen per share

Options to subscribe for 18,301,308 ordinary shares remain unexercised.

Treasury Shares

The number of treasury shares held as at 31 March 2018 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 31 March 2018	<u>3,326,800</u>	<u>855,221</u>

7. DIVIDENDS PAID

On 2 January 2018, the Company paid a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2017 (2016: 1.0 sen) amounting to approximately RM2.6 million (2016: RM2.6 million). Other than this, no dividend has been paid and declared in the current quarter.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

8. SEGMENTAL INFORMATION

The segment information for the current period ended 31 March 2018 is as follows:

	Investment Holding	Facilities Division	Engineering Division	Environment Division	Others Division	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(1,935)	121,814	72,456	41,097	3	(23,626)	209,809
Segment profit/(loss)	(3,455)	11,107	3,072	6,672	(161)	3,060	20,295
Segment assets	94,727	88,009	72,671	82,192	93	(94,387)	243,305

9. CARRYING AMOUNT OF REVALUED ASSETS

Not Applicable.

10. SIGNIFICANT AND SUBSEQUENT EVENT

On 28 February 2018, the Company had announced its proposal to acquire 60% equity interest in Trackwork & Supplies Sdn Bhd for a total purchase consideration of RM43,500,000. In conjunction with the proposed acquisition, the Company proposes to undertake a proposed diversification of the principal activities of AWC and its subsidiaries to include rail related works. The whole acquisition exercise expected to be completed in June 2018.

On 7 March 2018, the Board of the Company had announced that Messrs. Baker Tilly Monteiro Heng, having consented to act, is appointed as the new Auditor of the Company following from the resignation of Messrs. Morison Anuarul Azizan Chew on 6 February 2018 due to administrative issues.

No material events subsequent to 31 March 2018 to the date of this report that have not been reflected in the financial statements for current financial period.

11. CHANGES IN COMPOSITION OF THE GROUP

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

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

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 31 March 2018 RM'000	As at 30 June 2017 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,796	2,232
Later than 1 year and not later than 2 years	1,088	1,454
Later than 2 years and not later than 5 years	2,325	2,699
Later than 5 years	2,394	2,818
	<u>7,603</u>	<u>9,203</u>

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

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	Preceding year	Current period	Preceding year
	ended	corresponding	to-date ended	corresponding
	31 March	quarter ended	31 March	period ended
	2018	31 March	31 March	31 March
	RM'000	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Facilities	46,286	34,390	121,814	102,811
Environment	13,654	14,205	41,097	47,794
Engineering	26,483	25,542	72,456	79,305
Investment holdings	375	375	(1,935)	4,125
Others	-	-	3	-
Total	86,798	74,512	233,435	234,035
Less: Elimination	(11,546)	(7,090)	(23,626)	(23,852)
Consolidated Total	75,252	67,422	209,809	210,183

Profit before tax (PBT)	Current quarter	Preceding year	Current period	Preceding year
	ended	corresponding	to-date ended	corresponding
	31 March	quarter ended	31 March	period ended
	2018	31 March	31 March	31 March
	RM'000	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Facilities	5,076	5,801	14,635	7,783
Environment	4,655	3,445	8,562	15,894
Engineering	1,804	2,177	3,585	7,541
Investment holdings	(311)	(2,212)	(3,427)	472
Others	(43)	(10)	(162)	(34)
Total	11,181	9,201	23,193	31,656
Less: Elimination	-	-	3,060	(3,000)
Consolidated Total	11,181	9,201	26,253	28,656

14.1 Facilities Division

Quarter on Quarter (“QoQ”)

Revenue for Q3/FY18 amounted to RM46.3m, compared to RM40.0m in Q2/FY18. The increase of RM6.3m/16% was mainly attributable to higher recognition from the Capital Asset Refurbishment Programme in the current quarter under review.

Without taking the elimination effect, the PBT for Q3/FY18 increased to RM5.1m from RM4.7m in Q2/FY18.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.1 Facilities Division (continued)

Current quarter vs preceding year corresponding quarter

The revenue in current quarter Q3/FY18 increased by RM11.9m/35% as compared to preceding year corresponding quarter Q3/FY17. This was attributable to the commencement of (4) new projects in Putrajaya as well as Capital Asset Refurbishment Programme in the current quarter under review.

Slight decrease in the segment profit for current quarter Q3/FY18 vs preceding year corresponding quarter Q3/FY17 by RM0.7m/-12% mainly attributable to the cost restructuring undertaken by the division as well as saving on mobilization costs incurred for the new contracts.

Year on Year (“YoY”)

The revenue in Q3/FY18 increased by RM19.0m/18% as compared to Q3/FY17. The increase was mainly attributable to the commencement of four (4) new projects in Putrajaya as well as Capital Asset Refurbishment Programme.

Without taking the effect of elimination, the PBT in Q3/FY18 of RM14.6m vs Q3/FY17 of RM7.8m, an increase of RM6.8m/88%. The increase in profits was mainly due to improved revenue contributions, savings on mobilization costs incurred on the new contracts and cost restructurings. Additionally, the corresponding period of the previous financial year included costs for works undertaken in previous financial periods.

14.2 Environment Division

QoQ

Revenue for Q3/FY18 amounted to RM13.7m, compared to RM12.3m for Q2/FY18, an increase of RM1.4m/11%. The increase in Q3/FY18 was due to the positive gross margin revision as well as progress catch up in the projects undertaken by the division mainly attributable by Malaysia, Singapore and Middle East subsidiaries.

PBT in Q3/FY18 amounted to RM4.7m, compared to RM1.0m in Q2/FY18, an increase of RM3.7m/>100%. The increase in Q3/FY18 was consistent with the higher revenue recognition recorded as well as gross margin revisions undertaken during the quarter under review.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.2 Environment Division (continued)

Current quarter vs preceding year corresponding quarter

Slight decrease in the revenue of RM0.6m/-4% for the current quarter under review Q3/FY18 as compared to preceding year corresponding quarter Q3/FY17 mainly attributable by the project delays experienced by the division.

Despite the slight decrease in the revenue, the PBT of the division increased by RM1.2m/35% in current quarter Q3/FY18 against preceding year corresponding quarter Q3/FY17 from gross margin revision undertaken by the division in the current quarter under review.

YoY

Revenue for Q3/FY18 of RM41.1m was lower than Q3/FY17 of RM47.8m, a decrease by RM6.7m/-14%. This decrease was mainly attributable to delays experienced in some projects being undertaken in the beginning of FY18. However, progress is catching up in the current period and expected to catch up further in the ensuing quarter.

Segment profit for Q3/FY18 of RM8.6m vs RM15.9m in Q3/FY17, a decrease of RM7.3m/-46%. This drop was due to the delivery of certain big-ticket items with higher gross margins in FY17 (resulting in stronger margins earned) as opposed to the project delays experienced in the FY18.

14.3 Engineering Division

QoQ

Revenue in Q3/FY18 amounted to RM26.5m compared to RM24.3m in Q2/FY18, an increase of RM2.2m/9%. This increase was due to further recognition by the division supporting certain projects undertaken by the Facilities division as well as better progress achieved in contracts undertaken in the current quarter (Q3/FY18).

Without taking the elimination effect, this division reported PBT of RM1.8m vs PBT of RM1.7m in Q2/FY18, an increase of RM0.1m/5%. As mentioned above, this was due to further progress achieved in the current quarter under review following from progress pick up experienced in the preceding quarter.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

14. PERFORMANCE REVIEW BY SEGMENTS (CONTINUED)

14.3 Engineering Division (continued)

Current quarter vs preceding year corresponding quarter

Slight increase in the revenue of RM0.9m/3.7% for the division in the current quarter Q3/FY18 against preceding year corresponding quarter Q3/FY17 mainly attributable by the further revenue recognition from inter division projects with the Facilities division.

Decrease in PBT of RM0.4m/-17% in current quarter Q3/FY18 against preceding year corresponding quarter Q3/FY17 mainly due to the margin compression and cost overruns experienced in the Air Cond segment as well as certain project delays in Plumbing segment.

YoY

Without taking the elimination effect, the revenue in Q3/FY18 of RM72.5m vs RM79.3m in Q3/FY17, a decrease of RM6.8m/-8.6%. This is due to the project delays experienced since Q1/FY18.

Without taking the elimination effect, the division reported a segment profit for Q3/FY18 amounted to RM3.6m vs segment profit of RM7.5m in Q3/FY17, a decrease of RM3.9m/-52%. As stated above, this was due to project delays in certain contracts in the Plumbing segment, as well as margin compressions experienced in the Air Cond segment and cost overruns since Q1/FY18.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

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

	Current quarter ended 31 March 2018	Preceding quarter ended 31 December 2017	Variance Favorable/ (adverse)
	RM'000	RM'000	RM'000
Revenue	<u>75,252</u>	<u>68,353</u>	<u>6,899</u>
Profit before taxation and zakat	<u>11,181</u>	<u>7,014</u>	<u>4,167</u>

On a QoQ basis, revenue increased by RM6.9m/10%. As stated in the Segmental Review, the increase in the revenue was mainly attributable to higher recognition of contribution from the Capital Asset Refurbishment Project by facilities division as well as project progress in the environment division.

Arising from the higher revenue and profit contribution by the Facilities and Environment division, the Group's PBT in Q3/FY18 is increased by RM4.2m/59% when compared to the immediate preceding quarter.

16. COMMENTARY ON PROSPECTS

The Group's prospects remain strong where the current results for FY18 have been encouraging.

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).

Various internal initiatives are in-progress, promoting greater inter-division communications and cooperation towards the goal of improving cross selling of the Group's products and services.

We expect the Group's financial performance to remain positive for the remaining quarter of the current 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 THIRD QUARTER ENDED 31 MARCH 2018

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 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 or three year periods. We expect these contracts to contribute positively to our prospects.

16.2 Environment Division

The Environment Division has contracts on hand that will tide it over for the next three financial years. In beginning of FY18 we experienced project delays in certain contracts but nonetheless they catching up in this quarter and hopefully in the ensuing quarters. Prospects remain positive for this Division.

16.3 Engineering Division

Air conditioning segment

The Capital 21 project is progressing well and is nearing completion. Variation Orders are expected to materialize. On top of that the inter segment revenue with facilities division is also progressing nicely and these will contribute positively to the 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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

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).

Although some of these projects were delayed due to various factors beyond our control during the current period under review, these delays have since been overcome. The progress and 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 31 March 2018 RM'000	Period to date ended 31 March 2018 RM'000
Profit before taxation and zakat	11,181	26,253
Income tax expense for the period	<u>(2,672)</u>	<u>(5,958)</u>
Effective tax rate	<u>23.9%</u>	<u>22.7%</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.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

19. CORPORATE PROPOSALS

On 28 February 2018, the Company announced the following multiple proposals:

The Company had on 28 February 2018 entered into the following agreements:

- (i) a conditional share sale agreement ("**SSA**") with Goh Poey Hong, Chong Kim Loong, Goh Tse Woei, Kong Keat Voon, Chong Chong Hong, Lim Huey Yih and Shaun Chan Thiam Eng (collectively referred to as the "**Sellers**") for the proposed acquisition by AWC of 3,000,000 ordinary shares in Trackwork & Supplies Sdn Bhd ("**Trackwork**") ("**Trackwork Shares**" or "**Sale Shares**"), representing 60% equity interest therein from the Sellers, for a total purchase consideration of RM43.50 million ("**Purchase Consideration**") which will be satisfied through a combination of cash amounting to RM20.00 million ("**Cash Consideration**") and the balance RM23.50 million through the issuance of new ordinary shares in AWC ("**AWC Shares**") ("**Consideration Shares**"); and
- (ii) a shareholders' agreement with Trakniaga Sdn Bhd (being a shareholder of Trackwork holding 40% equity interest therein) ("**Trakniaga**") and Trackwork ("**Shareholders' Agreement**") for the following:-
 - (a) to govern the management and operation of Trackwork between the shareholders of Trackwork upon completion of the Proposed Acquisition;
 - (b) the granting by Trakniaga of a call option for AWC to require Trakniaga to dispose all the remaining Trackwork Shares held by it ("**Option Share(s)**") ("**Call Option**"); and
 - (c) the granting by AWC of a put option for Trakniaga to require AWC to acquire the Option Shares ("**Put Option**").
(The Call Option and Put Option are collectively referred to as the "**Call/Put Options**").

In conjunction with the Proposed Acquisition, the Company proposes to undertake a proposed diversification of the principal activities of AWC and its subsidiaries ("**AWC Group**") to include rail related works as the Company envisages that the eventual contribution arising from the Proposed Acquisition will be more than 25% of the net profits of the AWC Group and as such will result in a diversification of the AWC Group's existing core business.

The multiple proposals are pending Shareholders' approval at an Extraordinary General Meeting to be convened on 5 June 2018. The draft circular to Shareholders and the Additional Listing Application in respect of the new shares to be issued pursuant to the multiple proposals has been approved by Bursa Malaysia Securities Berhad on 2 May 2018.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

20. BORROWINGS

	As at 31 March 2018 RM'000	As at 30 June 2017 RM'000
Secured short-term borrowings:		
Term loan	95	16
Revolving credit	-	2,007
Finance lease payables	786	633
Total short-term borrowings	881	2,656
Secured long-term borrowings:		
Term loan	-	92
Finance lease payables	2,220	2,055
	2,220	2,147
Total borrowings	3,101	4,803

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

There was no interim dividend has been proposed for the quarter ended 31 March 2018.

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 31 March 2018	Period to date ended 31 March 2018
Profit attributable to owners of the Company (RM'000)	6,857	16,980
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	269,793	266,781
Basic earnings per share (sen)	2.54	6.36

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

24. REALISED AND UNREALISED PROFITS

	As at 31 March 2018 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	123,614
- Unrealised	765
	<u>124,379</u>
Less: Consolidation adjustments	<u>(69,904)</u>
Total group retained profit as per consolidated accounts	<u>54,475</u>

25. ITEMS INCLUDED IN CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit from operations is for the current quarter and period to-date ended 31 March 2018 is stated after charging / (crediting) the following items:

	Current quarter ended 31 March 2018 RM'000	Period to date ended 31 March 2018 RM'000
Interest income	(313)	(1,013)
Other income	(187)	(1,710)
Interest expense	182	591
Depreciation and amortization	636	1,996
Foreign exchange (gain)/loss	130	236
	<u> </u>	<u> </u>

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 21 May 2018.