ANNUAL REPORT 2020

VISION

Creating a better environment for our communities by providing total engineering and facilities solutions

MISSION

We aim to provide valuable and sustainable solutions to all that we serve by:

- Developing and nurturing our people
- Adopting the most appropriate systems and technologies
- Delivering excellence in all that we do

CORE VALUES

We aim to demonstrate these Core Values in everything we do:

Practise professionalism
– duty of care.

Take pride
– do our best.

Demonstrate respect
– treating all with respect and dignity.

Pursue continuous improvement
– people and systems.

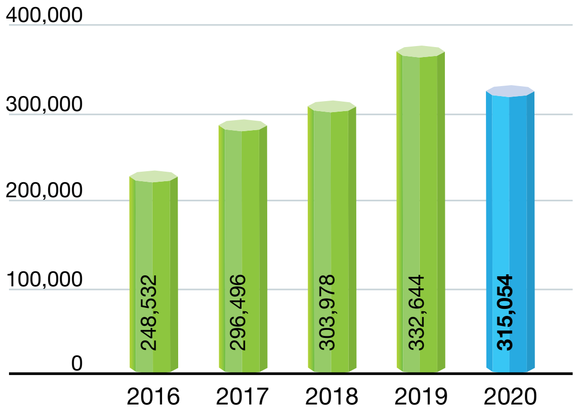
Embrace teamwork
– collaborating and partnering.

TABLE OF CONTENTS

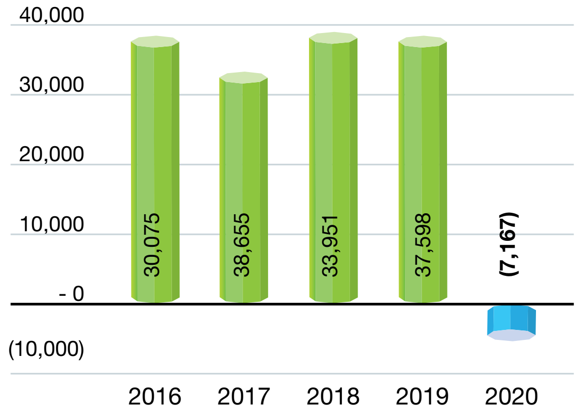
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE	CONSOLIDATED / GROUP 2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Statement of Comprehensive Income Highlights:					
Revenue	248,532	296,496	303,978	332,644	**315,054**
(Loss)/Profit From Operations	29,808	38,577	32,095	37,241	**(6,792)**
(Loss)/Profit Before Taxation and Zakat	30,075	38,655	33,951	37,598	**(7,167)**
Net (Loss)/Profit For The Financial Year	23,595	30,902	27,028	29,067	**(15,290)**
Net (Loss)/Profit Attributable to Owners of The Company	17,127	22,019	21,659	21,375	**(18,769)**
Earnings Per Share (sen)					
- Basic	6.9	8.3	8.1	7.6	**(6.4)**
- Fully Diluted	6.7	7.9	7.9	7.5	**(6.4)**
Gross Dividend Per Share (sen)	2.5	2.0	0.5	1.0	**1.5**
Statement of Financial Position Highlights:					
Share Capital	78,443	91,115	98,841	110,847	**112,264**
Shareholders' Equity	118,998	141,246	163,706	198,339	**176,427**
Total Assets	235,034	292,417	276,109	379,228	**354,177**
Debt/Equity Ratio	0.01	0.03	0.07	0.20	**0.17**
Current Ratio	2.30	2.06	3.51	2.55	**2.62**
Net Assets Per Share (sen)	46.1	53.6	60.8	67.7	**59.8**

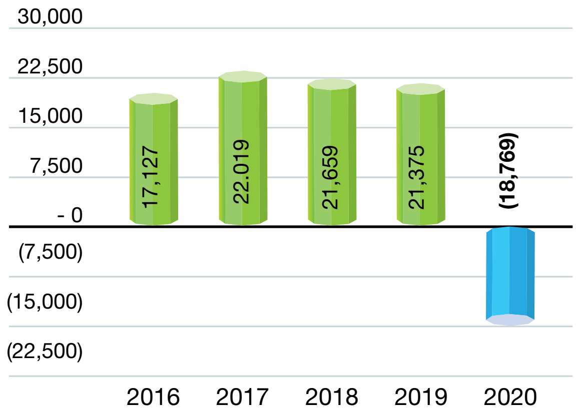
REVENUE (RM'000)



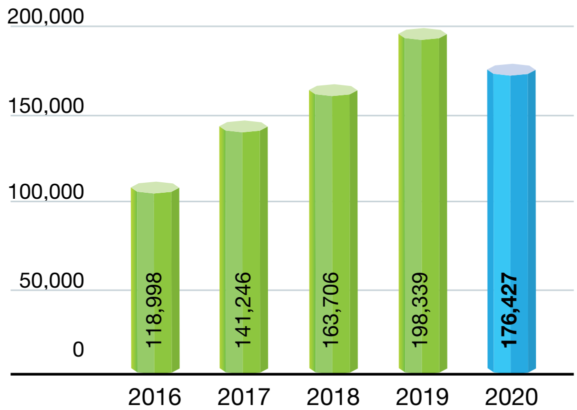
(LOSS)/PROFIT BEFORE TAXATION AND ZAKAT (RM'000)



NET (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



2020

RM315,054

Revenue (RM'000)

-RM7,167

Loss Before Taxation and Zakat (RM'000)

-RM18,769

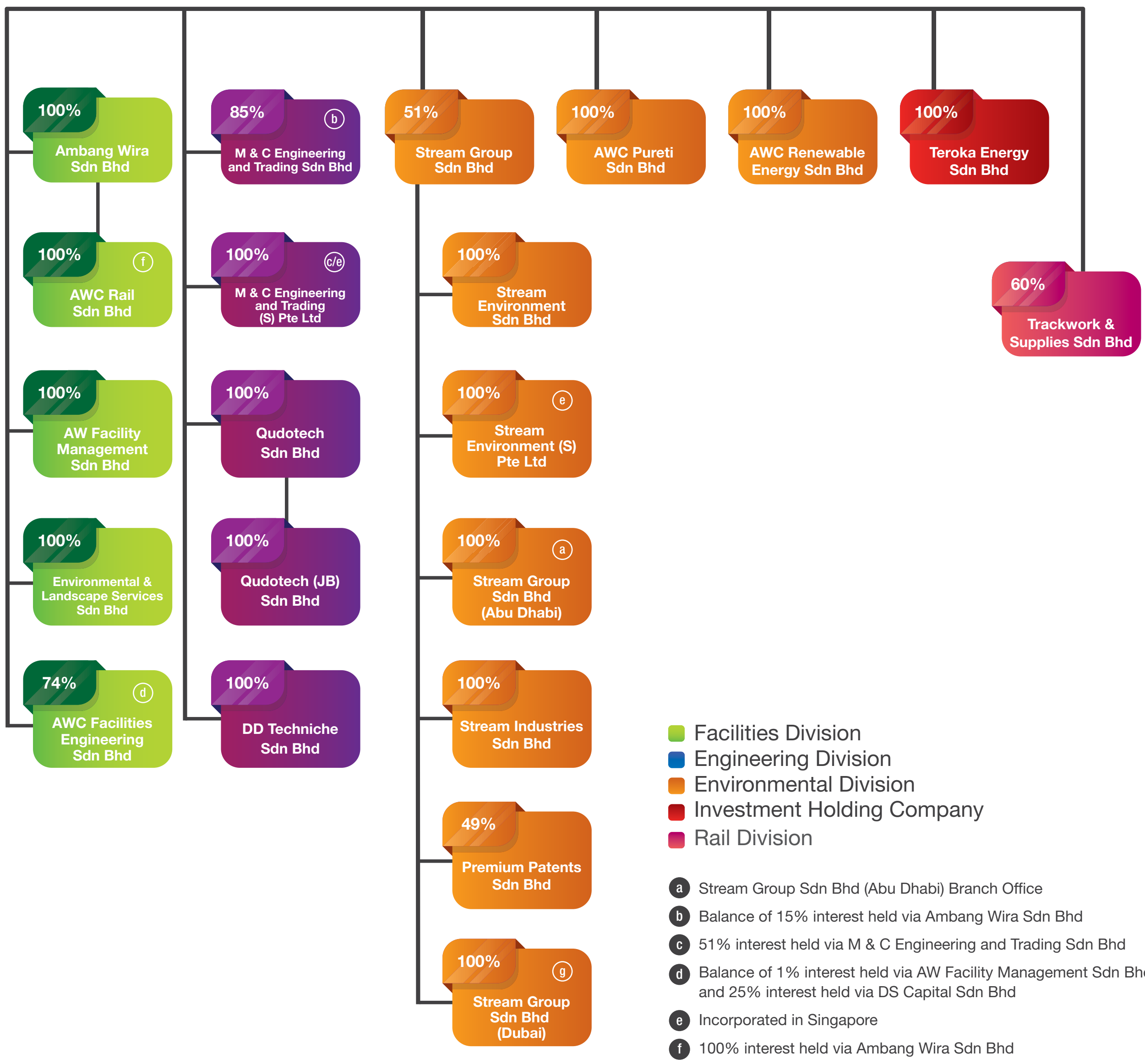
Net Loss Attributable to Owners of The Company (RM'000)

RM176,427

Shareholders' Equity (RM'000)

GROUP STRUCTURE

As at 30 September 2020



a Stream Group Sdn Bhd (Abu Dhabi) Branch Office

b Balance of 15% interest held via Ambang Wira Sdn Bhd

c 51% interest held via M & C Engineering and Trading Sdn Bhd

d Balance of 1% interest held via AW Facility Management Sdn Bhd and 25% interest held via DS Capital Sdn Bhd

e Incorporated in Singapore

f 100% interest held via Ambang Wira Sdn Bhd

g Stream Group Sdn Bhd (Dubai) Branch Office

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Nik Mod Amin Bin Nik Abd Majid
Independent Non-Executive Chairman

Dato' Ahmad Kabeer Bin Mohamed Nagoor
Group Chief Executive Officer/President

Sureson A/L Krisnasamy
Independent Non-Executive Director

Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj
Independent Non-Executive Director

Dato' Ahri Bin Hashim
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Sureson A/L Krisnasamy (Chairman)
Dato' Nik Mod Amin Bin Nik Abd Majid
Dato' Ahri Bin Hashim

NOMINATION AND REMUNERATION COMMITTEE

Dato' Ahri Bin Hashim (Chairman)
Dato' Nik Mod Amin Bin Nik Abd Majid
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj
Sureson A/L Krisnasamy

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Dato' Ahmad Kabeer Bin Mohamed Nagoor (Chairman)
Sureson A/L Krisnasamy
Richard Voon Siew Moon

COMPANY SECRETARY

Tea Sor Hua
(MACS 01324)
(SSM PC No.: 201908001272)

REGISTERED OFFICE

Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7725 1777
Fax : 03-7722 3668

PRINCIPAL OFFICE

20-2, Subang Business Centre
Jalan USJ 9/5T, 47620 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 03-8024 4503/4/5
Fax : 03-8025 9343
Website : www.awc.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03 - 2783 9299
Fax : 03 - 2783 9222

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
LLP0019411-LCA & AF 0117

PRINCIPAL BANKERS

AmBank (M) Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name : AWC
Stock Code : 7579

BOARD OF DIRECTORS' PROFILE

Dato' Nik Mod Amin Bin Nik Abd Majid
("Dato' Nik")

Independent Non-Executive Chairman

Nationality: Malaysian

Date of Appointment: 1 September 2009

Gender: Male

Age: 67

Membership of Board Committees:
Member of Audit and Risk Management Committee and Member of Nomination and Remuneration Committee

Board Attendance: 4/4

Academic/Professional Qualifications:
Bachelor's Degree in Economics from Universiti Malaya, Malaysia (1976)

Working Experience:

Dato' Nik is the Managing Director and founder of Fask Capital Sdn Bhd. The Company's activities include the provision of services in the area of microcredit, micropayments, retail investments, debt management and financial consultancy. He is also the Chairman of FCA Capital Sdn Bhd (providing corporate advisory services) and the Chairman of Capital Investment Bank (Labuan) Ltd (providing investment bank and corporate finance services in Labuan).

He has more than 26 years of banking experience with various financial institutions including Malayan Banking Berhad, Affin Bank Berhad and BSN Commercial Bank Berhad. His other experiences include Perbadanan Usahawan Nasional Berhad, Perwira Affin Bank Berhad and the Malaysian Franchise Association. He was previously a Board Member of Universiti Utara Malaysia, a position he stepped down from in the year 2015.

Dato' Ahmad Kabeer Bin Mohamed Nagoor
("Dato' Ahmad Kabeer")

Group Chief Executive Officer/President

Nationality: Malaysian

Date of Appointment: 2 February 2005

Gender: Male

Age: 63

Membership of Board Committees:
Chairman of the Employees' Share Option Scheme Committee

Board Attendance: 4/4

Academic/Professional Qualifications:
Master's Degree in Finance from University of St. Louis, Missouri, USA (1986)

Working Experience:

Dato' Ahmad Kabeer was appointed to the Board as a Non-Independent Non-Executive Director on 2 February 2005. On 22 June 2007, he was re-designated as the Non-Independent Non-Executive Deputy Chairman of the Company and subsequently as the Executive Deputy Chairman on 1 March 2012. On 29 May 2013, Dato' Ahmad Kabeer assumed the position of Managing Director/Group Chief Executive Officer of the Company. On 1 December 2017, he assumed the position of Group Chief Executive Officer/President.

He started his career with the Bank of Nova Scotia in 1986 in the Foreign Exchange Division before becoming a lecturer at the School of Management, Universiti Sains Malaysia from 1988 to 1994.

Sureson A/L Krisnasamy ("Mr. Sureson")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Male

Age: 45

Membership of Board Committees:
Chairman of the Audit and Risk Management Committee and Member of the Nomination and Remuneration Committee, and Employees' Share Option Scheme Committee

Board Attendance: 4/4

Academic/Professional Qualifications:
Bachelor of Accountancy (Hons) from Universiti Putra Malaysia (1999), Chartered Accountant with the Malaysian Institute of Accountants since 2002

Working experience:

Mr. Sureson started his career with Telekom Malaysia as an accountant where he was involved with finance, sales, corporate finance and investor relations. His other notable experiences with huge corporations include CLSA Securities, Bursa Malaysia Securities Berhad, CIMB Investment Bank, where he was responsible for initiating and spear heading cross-border South East Asia, India and Sri Lanka business opportunities, RHB Investment Bank and Bioven Ltd.

He was previously a Director of Perbadanan Tabungan Pendidikan Tinggi Nasional, Director of Universiti Putra Malaysia and UPM Holdings between 2018 to 2019.

Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj ("YM Tunku")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Female

Age: 53

Membership of Board Committees:
Member of the Nomination and Remuneration Committee

Board Attendance: 3/4

Academic/Professional Qualifications:
Bachelor of Law, LLB (Hons) from Queen Mary and Westfield College, University of London, United Kingdom (1991) and Master's in Philosophy from Universiti Malaya (2013), Diploma in Psychology Counselling from Universiti Kebangsaan Malaysia (2006)

Working experience:

As of 2018, YM Tunku holds the position as Executive Chairman of Selenggara Timur Sdn Bhd, a road maintenance company.

Actively involved in social welfare activities, YM Tunku is one of the four Deputy President of Pertubuhan Kebajikan Islam Malaysia (PERKIM) Kebangsaan, having been appointed in 2013. She was also elected as the Head of Women Division, PERKIM Kebangsaan, a position she has held since 2010.

In 2014, YM Tunku founded a Non-Governmental Organisation (NGO), Yayasan Noor Al Syakur (YANAS) which is involved in various social welfare activities including the provision of aid to those in need and the revival of arts and culture in Kelantan.

YM Tunku was also instrumental in developing Behaviour Intervention Modules in Development and Training, between Universiti Malaya, School of Medicine, Centre of Excellence in Research of Infectious Disease and Addiction (CERIA), with the collaboration of University of Yale and University of Connecticut, United States of America (2010 until 2012).

YM Tunku also held directorship in LLC Berhad.

Board of Directors' Profile
(cont'd)

Dato' Ahri Bin Hashim ("Dato' Ahri")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Male

Age: 53

Membership of Board Committees:
Chairman of Nomination and Remuneration Committee and Member of the Audit and Risk Management Committee

Board Attendance: 4/4

Academic/Professional Qualifications:
Bachelor of Science in Marketing and Computer Science from Tri-State University, Angola, Indiana, U.S.A (1997) and Master's in Business Administration from Columbia University, New York, USA (2001)

Working experience:

Dato' Ahri started his career in 1989, as an Equity Analyst with Baring Securities Pte Ltd. Later on, he joined K&N Kenanga as an Institutional Securities Dealer and followed by Dresdner Kleinwort Benson, New York as an Institutional Dealer in charge of Far East Equity Sales.

His other ventures includes the co-founding of AWZ Computer LLC, Angola, Indiana, Globex LLC, New York and The Datestone Group LLC, Palm Beach Florida which is a Shariah compliant private equity investment and financial advisory firm with global exposure including Liberia, Africa as well as Chile, South America.

He is currently a Board Member of Ministry of Finance Incorporated's Syarikat Perumahan Negara Berhad (SPNB), Chairman of SPNB Aspirasi Sdn Bhd, Director of SPNB Edar Sdn Bhd and also Director of SPNB Dana Sdn Bhd. Dato' Ahri was recently appointed as Mara Corp advisor in May 2020.

Notes:

1. None of the Directors have family relationship with any Directors and/or major shareholders of AWC Berhad except for Dato' Ahmad Kabeer Bin Mohamed Nagoor who is a Director and shareholder of K-Capital Sdn Bhd, a major shareholder of the Company.
2. None of the Directors have any conflict of interests with the Company.
3. None of the Directors have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 June 2020, other than for traffic offences.
4. Save as disclosed above, none of the Directors have any other directorship in public companies and listed issuers.

KEY SENIOR MANAGEMENT PROFILE

Nik Adnan Bin Nik Mohd Salleh ("En. Nik Adnan")

Chief Executive Officer
Ambang Wira Sdn Bhd ("AWSB")
Facilities Division

Nationality: Malaysian

Gender: Male

Age: 63

Academic/Professional Qualifications:
Bachelor of Science in Chemistry from Indiana State University, Terre Haute, Indiana USA (1979) and Masters of Arts in Bio-Chemistry from Indiana State University, Terre Haute, Indiana USA (1981)

Working experience:

En. Nik Adnan started his career in 1981 with Esso Malaysia Berhad. During the period until 1995, he held various positions in Marketing Technical Services, Sales, and as Head of Strategic Planning for the Industrial and Consumer Division. Later, he joined PROPEL~Johnson Controls as the Senior General Manager of Healthcare in charge of hospital support services for 72 government hospitals, from 1997 to 2001.

During the period 2001 to 2003 he was self-employed in the company Naditris Sdn Bhd and in 2004, he joined Alam Flora Sdn Bhd ("Alam Flora"), the waste management and public cleansing concession holder for Central and Eastern Regions as the General Manager ("GM") of Operations until 2007. During this period he oversee the operations of waste collection of close to 6,000 tonnes per day and public cleansing for 28 Local Authorities. In 2007, he assumed the position of GM Privatization and New Business in Alam Flora until 2010 working with Public Private Partnership Unit (UKAS) on tariffs and the concession agreement.

In 2010 – 2012, he joined Saudi ASMA Environmental Solutions in Jeddah, Kingdom of Saudi Arabia and acted as the Technical/Project Advisor to the Holy City of Makkah waste collection and public cleansing management. His key roles involved the reviews, evaluations and recommendations on Operations Working Plans, System Planning, Waste Containerization System, Fleet Management System, Key Performance Indicators and other related strategies for the Normal, Ramadhan and Hajj seasons.

En. Nik Adnan joined AWC on 1 November 2012 and is responsible for the day to day running of all three segments in the Division, i.e. Concession, Commercial and Healthcare. He is also responsible for strategic direction undertaken in the Facilities Division for the future.

Ir. Chee Kar Ming ("Ir. Chee")

Managing Director
Qudotech Sdn Bhd ("Qudotech")
Engineering Division

Nationality: Malaysian

Gender: Male

Age: 48

Academic/Professional Qualifications:
Degree in Mechanical Engineering from University Technology of Malaysia (1996), Master of Business Administration from Charles Stuart University Australia (2000), Professional Engineer with the Board of Engineers Malaysia and member of Engineers Malaysia (Since 2001)

Working experience:

Ir. Chee started his career as an Engineer in Artwright Technology Sdn Bhd in May 1996. Following that, he joined Qudotech in July 1996 as a Project Engineer specialising in Mechanical & Electrical Services.

He has extensive experience in management and construction of hospitals, hotels, iconic high-rise buildings and high-end condominiums. Among the mega projects he was/currently involved in are the likes of Binjai on the Park, KLIA2, The Exchange 106 and Merdeka PNB 118.

Ir. Chee was appointed as the Managing Director of Qudotech on 15 January 2019.

Ir. Chea Thean Teik ("Ir. Chea")

Group Chief Executive Officer/Director
Stream Group Sdn Bhd ("Stream Group")
Environment Division

Nationality: Malaysian

Gender: Male

Age: 48

Academic/Professional Qualifications:
Bachelor's Degree in Mechanical Engineering from Universiti Teknologi Malaysia, Malaysia (1997), corporate member of the Institute of Engineers Malaysia (IEM) and Professional Engineer (Mechanical) from the Malaysian Board of Professional Engineers (Since 2005)

Working experience:

Ir. Chea brings to the Group more than 24 years of experience specialising in the areas of Building M&E Services, Mechanical Handling Engineering, Project Management & Contract Administration, Central Vacuum Systems and Automated Waste Collection Systems.

He started his career in 1997 as an M&E engineer in an engineering consultancy firm Perunding Cekap and TWT Consultants Sdn. Bhd. in Johor Bahru.

Ir. Chea currently serves as the Group Chief Executive Officer of Stream Group. His key responsibilities include sales & marketing, project implementation, contract administration, finance and business development. He joined Stream Group on 16 September 2005 and was appointed as a Director on 16 April 2018.

Key Senior Management Profile
(cont'd)

Ir. Chang Leong Hao ("Ir. Chang")

Director and General Manager
DD Techniche Sdn Bhd ("DDT")

Nationality: Malaysian

Gender: Male

Age: 61

Academic/Professional Qualifications:
Bachelor's Degree in Mechanical Engineering from University Malaya, Malaysia (1983), Professional Engineer with the Board of Engineers Malaysia, Member of the Institution of Engineers Malaysia and a qualified Green Building Index (GBI) Facilitator (Since 2010)

Working experience:

Ir. Chang started his career in Hong Leong Industries Bhd as a maintenance engineer back in 1983. Subsequently, he was seconded to Hicom-Yamaha Manufacturing Sdn Bhd as an engineering manager. He has extensive experience in management and construction of factories and design of mass production equipment and assembly lines.

In March 2007, he joined Qudotech to manage projects at Q-cells factory, Hospital Kuala Lipis and KLIA2 airport terminal.

In June 2009, he joined DDT, a wholly owned subsidiary of AWC Berhad, as a partner specialising on Rainwater Harvesting and Greywater Recycling Systems. He then developed locally made storage tanks and filter systems that suited the market. By 2012, DDT has grown becoming one of the leading Rainwater Water Harvesting Systems (RWHS) company in Malaysia and has distribution rights for BWT water treatment products (largest water treatment company in Europe) 3P Technik, Evo Aqua and JOBE Valves in Malaysia.

Ir. Chang currently serves as the Director and General Manager of DDT. He was appointed as a Director of DDT on 8 October 2015.

Kong Keat Voon ("Mr. Kong")

Chief Executive Officer
Trackwork and Supplies Sdn Bhd ("Trackwork")

Nationality: Malaysian

Gender: Male

Age: 50

Academic/Professional Qualifications:
Bachelor of Engineering (Civil) from Universiti Malaya, Malaysia (1994)

Working experience:

Mr. Kong started his career with Jurutera Perunding Tegap Sdn Bhd as a design engineer in 1994 where he was involved in structural and design works. Subsequently, he joined Greenwell Engineering Sdn Bhd, which specialises in oleochemical turnkey project as an Assistant Project Manager in 1995 where he was involved in planning, designing, controlling the cost of the project and project management for the construction of chemical plants.

He then joined Loh & Loh Constructions Sdn Bhd as a Project Engineer in 1997, where he managed heavy engineering constructions projects and was involved in project implementation, tendering for projects and business development. He was then tasked to lead, manage and develop the Railway Division and Turnkey Department in 2002.

Subsequently, he joined Trackwork as its Chief Executive Officer in February 2012, where he oversees administrative functions and is responsible for leading the development, planning, implementation and integration of the strategic direction of Trackwork.

Richard Voon Siew Moon ("Richard")

Chief Financial Officer
AWC Berhad

Nationality: Malaysian

Gender: Male

Age: 51

Academic/Professional Qualifications:
Chartered Accountant (ACCA)

Working experience:

Richard joined the Group in January 2018 and currently holds the position of Chief Financial Officer ("CFO"). He is also a member of Employee's Share Option Scheme Committee of the Company.

Richard is a Chartered Accountant (ACCA) with more than 20 years' experience in various industries, holding senior financial positions in listed companies including FCW Holdings Berhad, Cuscapi Berhad, KNM Group Berhad and more recently, prior to joining AWC Berhad, as Chief Financial Officer of Omesti Berhad, a position he held from March 2013 to September 2017.

Tan Ai Lee

Chief Legal Officer
AWC Berhad

Nationality: Malaysian

Gender: Female

Age: 50

Academic/Professional Qualifications:
Degree in LLB (Hons) from University of Malaya, Malaysia

Working experience:

Tan Ai Lee joined AWC on 15 August 2017 as Chief Legal Officer. She graduated from Universiti of Malaya with LLB (Hons) Malaya and thereafter was in legal practice.

She has over 25 years legal experience. She was heading the legal department of Mahkota Technologies Sdn Bhd and group of companies before joining AWC to pioneer its legal department from 2009 to 2013. She then ventured into legal partnership.

Notes:

1. None of the key senior management personnel have any family relationship with any Directors and/or major shareholders of AWC Berhad.
2. None of the key senior management personnel have any conflict of interests with the Company.
3. None of the key senior management personnel have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 June 2020, other than for traffic offence.
4. Save as disclosed above, none of the key senior management personnel have any other directorship in public companies and listed issuers.

CHAIRMAN'S STATEMENT

Dear Shareholders,

"We entered the year with prevailing challenges in 2019. From the beginning of 2020, we had to endure a crisis that has greatly impacted the world. The Covid-19 pandemic has been highly disruptive and unprecedented. AWC Berhad's ("AWC", "the Company" or "the Group") key operating divisions performed commendably while the Group's fundamentals remain solid, backed by our resilient diverse portfolio of businesses and a strong balance sheet to weather any short-term challenges.

On behalf of the Board of Directors ("the Board") of AWC, I present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 30 June 2020 ("FYE 2020")."

PERFORMANCE REVIEW

For FYE 2020, the Group registered revenue of RM315.1 million as compared to RM332.6 million in the previous financial year. The lower revenue was primarily due the Air-conditioning segment of the Engineering Division having completed most of the projects undertaken and the Environment Division which experienced slower project progress as well as effects from projects undertaken being temporarily stopped due to Covid-19. Higher revenue recorded by the Facilities and Rail Divisions helped to mitigate this as the former was not operationally impacted during the Movement Control Order ("MCO") which came into effect 18 March 2020.

The Group recorded a loss for FYE 2020 at RM18.8 million, a first loss since FYE 2008, compared to the last financial year (FYE 2019) earnings of RM21.4 million mainly due to a number of factors: (i) Over-estimation of variation order value from a project undertaken by the Air-conditioning segment of the Engineering Division totalling RM3.3 million and the allowance of impairment loss on trade receivables of RM21.1 million, (ii) impairment loss on goodwill amounting to RM13.8 million, and (iii) non-recurring amortisation of intangible assets of RM1.0 million and under provision of contingent consideration of RM1.1 million relating to the acquisition of Trackwork and Supplies Sdn Bhd. ("Trackwork")

In terms of Divisional Profits, the Facilities Division contributed a large part of the post-tax profits to the Group, recording a post-tax profit of approximately RM11.2 million. The Rail Division and Environment Division chipped in after-tax profits of RM4.6 million and RM3.4 million respectively while the Engineering Division booked a loss of RM16.7 million, effectively dragging the Group into the red.

On a per share basis, the Group recorded Loss Per Share ("LPS") of 6.4 sen in FYE 2020 from Earnings Per Share ("EPS") of 7.6 sen in FYE 2019. Net Asset per share decreased from 67.7 sen in FYE 2019 to 59.8 sen in FYE 2020. Our shareholders Equity as at 30 June 2020 closed at RM176.4 million against RM198.3 million as at 30 June 2019.

In-depth analysis of the Group's performance across the divisions can be found in our Management Discussion & Analysis ("MDNA") Section on pages 46 to 53 of this Annual Report.

OPERATIONAL HIGHLIGHTS

Facilities Division

The Facilities Division continues to anchor the Group with another year of admirable performance. Higher revenue was reported owing mainly to the new Hospital Support Services contract for Institut Kanser Negara, Housekeeping services contract at Bangunan JB Sentral and Menara PJH in Putrajaya. Profits however came lower than previous year largely due to lower revenue recorded from CARP which commands higher margins. Renewals secured by the Division during the year under review includes Pasir Mas ECERDC, Menara OBYU in Damansara Perdana, Wisma Mahmud in Kuching and Celcom Non-Network Buildings Nationwide. The Division managed to secure a new non-comprehensive 2-year facilities maintenance services contract for Celcom Non-Network Buildings Nationwide and a 3+2 years contract for the provision of comprehensive maintenance at Galeria PJH in Putrajaya.

Menara OBYU

Menara PJH, Putrajaya

Chairman's Statement
(cont'd)

Environment Division

The Division experienced contraction during the year with lower revenue against prior year attributable to the slower than expected project progress mainly in Malaysia and Singapore due to the MCO. Accordingly, profits were significantly impacted due to various projects being halted and higher operational expenditure relating to prudent provisioning of receivables. The Division continues to secure healthy replenishments with notable projects secured in Malaysia namely Senada KLGCC Project, The redevelopment of Tenaga Nasional Berhad Headquarters complex, The Trion and Crown Plaza & Royce Residence Project. Across the causeway in Singapore, amongst the multiple jobs secured during the year include Normanton Park Condo @ Normanton Park, Tampines Avenue 10, Bulim Square @ Bulim Drive, and the Singapore General Hospital Emergency Medicine Building. Various projects were also secured by the division in the Middle East involving the Al-Raha Beach Development in Abu Dhabi.

Senada KLGCC

Duta Park Residences, KL

Parc Clematis, Singapore

Singapore General Hospital Emergency Medicine Building

Changzhou Hospital, China

Destination Gold Coast, Australia

Engineering Division

The Division reported poor set of results mainly on lower revenue and less than favourable project management of the air-conditioning segment, which has since been curtailed. The plumbing segment however cushioned the losses with another set of decent performances despite projects being halted due the MCO. Major projects of the Division continue to progress well following the re-opening of economy and construction sector and this helped the Division to regain some lose grounds. The Lendlease Lifestyle Mall project which was secured in 2019 is picking up well and is slated for completion in late 2021. Projects that were handed over during the year included Exchange 106 Project in TRX, Parcel F Project in Putrajaya, Nadayu 63 in Melawati and Lakepoint Residence in Cyberjaya.

Exchange 106 Project, TRX

Nadayu 63, Melawati

Parcel F Project, Putrajaya

Parcel F Project, Putrajaya

Rail Division

The division enters its second year with the Group with a slight increase in revenue despite the slower project progress due to the MCO. Profits however came in lower mainly due to lower margins stemming from slower progress billings and a reversal of work-in-progress recognition. The division manage to secure new jobs during the year with major projects being the for the KVMRT2, LRT3 and supply contracts in Thailand, Myanmar and Singapore.

Rail grinding vehicle at pocket track area (between Metro Prima Station and Kepong Baru Station

Installation of FRP Walkway Covers for MRT 2 SSP line

Supply of Rail grinding Service SSP at Sungai Buluh Depot

ECONOMIC REVIEW

The global economy recorded its lowest growth of the decade in 2019, falling to 2.3% from 2018 already weakened pace of growth of 3.0% resulting from protracted trade disputes and a slowdown in domestic investment. According to the International Monetary Fund World Economic Outlook (WEO), global growth is projected at –4.9% in 2020. The Covid-19 pandemic has had a more negative impact on economic activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4%.

Domestically, Malaysia's economy grew at 4.3% in 2019, lower than the 4.7% growth in 2018. Bank Negara Malaysia (BNM) had initially projected for the economy to record a contraction of 5.5% in 2020. Following this, a gradual growth is now expected in 2H2020 with the growth expected at -3.5% for the full year. For 2021, BNM is projecting the economy to grow within 5.5% to 8.0%. Apart from the pandemic, the domestic economy has been affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector, with downside risks such as weaker global growth, escalation of trade tensions and lower commodity production to prevail.

AWARDS AND ACCOLADES

The Group through its subsidiaries continue to secure multiple awards for various categories during the year. Under our Facilities Division, Bangunan Sultan Iskandar in Sarawak secured 2nd place for Anugerah Pengurusan Penyenggaraan Bangunan Gunasama Persekutuan while Bangunan Tun Datuk Patinggi Haji Bujang, also in Sarawak won 3rd place for the same category. Wisma Persekutuan Johor Bahru in Johor and Wisma Persekutuan Seremban in Negeri Sembilan won 4th and 5th place, respectively.

Qudotech Sdn Bhd under our Engineering Division secured Best Safety Compliance Team (subcontractor) award for the 8 Conlay project.

In September 2020, AWC Berhad was accorded the MSWG-ASEAN Excellence Award for Corporate Governance Disclosure from Minority Shareholders Watch Group (Market Cap between RM100 million to RM300 million).

Our Group Chief Financial Officer, Mr. Richard Voon won the Best CFO Award of 2019 for Investor Relations (Micro Cap Category) from Malaysia Investor Relations Award.

2nd Place Award for Bangunan Sultan Iskandar in Sarawak-Anugerah Pengurusan Penyenggaraan Bangunan Gunasama Persekutuan

Best Safety Compliance Team for 8 Conlay Project

Best CFO for Investor Relations (Micro Cap)

OUTLOOK

The Covid-19 pandemic has brought about abrupt disruptions and changes to the way businesses are conducted. Though it is unprecedented, and no clear sight to its end, it is of importance to highlight that a large part of AWC's business remains robust enough to weather the future uncertainties due to amongst others the recurring income that the Group's Facilities Division derived from the maintenance of various building and facilities, in particular the upkeep of Federal Government common user buildings which remained in operations during the entire MCO period.

Moving forward, the Group remains cognisant of the new normal that we are facing in the domestic and global economy. We are steadfast in delivering better results overall in the foreseeable future and shall continue to execute various business plans and strategies to create value for our shareholders. Via the joint venture agreement signed with Techkem Group of Companies (Techkem), AWC is confident of participating in more water related projects in Malaysia and the ASEAN region. The type of projects the Group is vying includes but not limited to engineering, procurement, construction, commissioning (EPCC), operation and maintenance (O&M), design, build, operate & transfer (DBOT) projects. We are confident that the partnership with Techkem will enable us to diversify and bolster respective parties water infrastructure portfolio.

DIVIDEND

The Board of Directors had earlier declared first interim dividends amounting to 0.5 sen per ordinary share which was paid out to our shareholders in April 2020. No further dividends were recommended for the year taking into consideration the performance of the Group as a whole. For the year, total dividends declared and paid amounted to 0.5 sen per ordinary share, representing a total payout of RM1.5 million.

Galeria PJH, Putrajaya

CORPORATE GOVERNANCE

The practice of best standards of governance and ethics has always been at the forefront of business conduct and operations at AWC. As a testament to this, the Group had in September 2020 secured the 2019 MSWG-ASEAN Excellence Award for Corporate Governance Disclosure from Minority Shareholders Watch Group (Market Cap between RM100 million to RM300 million). This year, we have established and made public on our website, an Anti-Bribery and Anti-Corruption Policy (ABC Policy) and updated our Whistle-Blowing Policy, pursuant to the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which took effect from 1 June 2020. Our Corporate Governance Overview Statement can be found on pages 54 to 68.

MSWG-ASEAN CORPORATE GOVERNANCE AWARD 2019
Excellence Award for CG Disclosure

NOTE OF APPRECIATION

On behalf of the Board of Directors, I wish to express our sincere appreciation to our customers, partners and business associates for their continued support and confidence in the Group. I would also like to record my utmost appreciation to the Government of Malaysia and all other authorities for their invaluable support and assistance.

I would also like to take this opportunity to thank my fellow Board members for their invaluable inputs and contributions to the Group.

For every member of management and staff of AWC, thank you for your untiring commitment and dedication to the Group. Your undivided support and contributions have placed the Group in a better position to take on new challenges with renewed vigour and optimism. Our utmost appreciation to our heroic front-line staff who have been working as per normal during the MCO period to support our clients. Their professionalism and courage have contributed immensely to the reputation of our Company. Once again, thank you.

Appreciative of the contributions and sacrifices of the front-liners in particular healthcare professionals in combating the pandemic outbreak in Malaysia, AWC had channelled RM250,000 to The 'Tabung Bencana Negara Dalam Menangani Wabak Covid-19' in support of relief efforts and initiatives.

Finally, our deepest appreciation to you, our shareholders for your trust, confidence, and continued support for the AWC Group as we chart our next phase of growth.

DATO' NIK MOD AMIN BIN NIK ABD MAJID
Independent Non-Executive Chairman

SUSTAINABILITY STATEMENT

SCOPE, STRATEGY & STRUCTURE

As AWC Berhad ("AWC", "the Group" or "the Company") enters its third year of Sustainability reporting, we are pleased to announce that a more robust report has been prepared, transforming our previous Sustainability Statement into a full-fledged Sustainability Report ("Report"). This is just a hint of the innovation and continuous improvement that has driven our strategy and dedication to provide long-term development and value creation to our stakeholders. Along with this report is our Sustainability Roadmap to take AWC to greater, and more sustainable, heights as a leading engineering services group within this region and worldwide.

The foundation of this Report is based on Bursa Malaysia Securities Berhad's ("Bursa" or "Bursa Malaysia") Main Market Listing Requirements on Sustainability Reporting, particularly Bursa Malaysia's Second Edition of the Sustainability Reporting Guide (2018). This ensures that AWC's Sustainability Report adheres to Bursa's Economic, Environmental and Social ("EES") pillars, Global Reporting Initiative ("GRI") 4 guidelines and the United Nations' Sustainable Development Goals ("SDG" or "UN SDG") as well as the Task Force on Climate-related Financial Disclosures ("TFCD").

In continuing with AWC's previous Sustainability disclosures, the Company considers Malaysia's ratification of the 17 UN SDGs in September 2015 as the bedrock for the achievement of the 2030 Agenda for Sustainable Development as a starting point for Sustainability Reporting. The 17 UN SDGs are represented below:

Diagram 1.0 - The 17 UN SDGs - 2030 Agenda for Sustainable Development

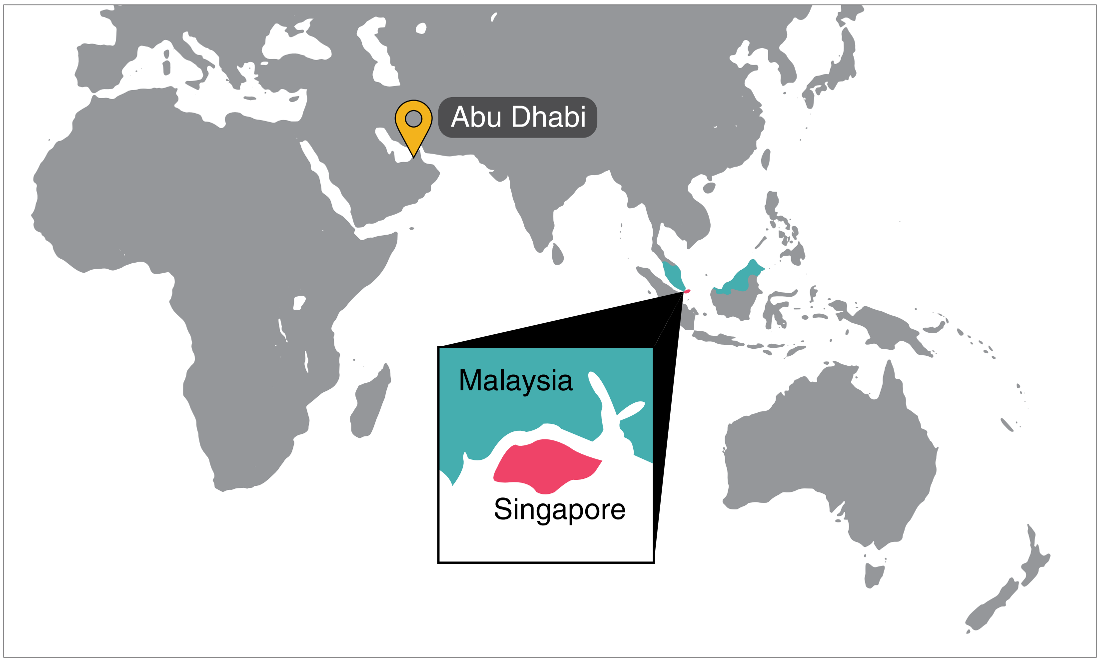


Diagram 2.0 - AWC Berhad's footprint and Sustainability Report 2020 scope

SCOPE & BOUNDARY

This Report is to be read in concurrence with the main Annual Report 2020 which contains the disclosures of the Group during financial year 2020 ("FYE2020"), which is carried out between 1 July 2019 and 30 June 2020. In terms of scope, this Report covers all four divisions of the Company, namely the Facilities, Environment, Engineering and Rail divisions.

While the Group has regional presence in asia and the Middle East (Diagram 2.0), the expansion to scope this year will only include Singapore, with the remaining business units of the Group to be included in future. This will be discussed in the Sustainability Roadmap (Diagram 4.0). This year's expansion of scope will see the inclusion of M & C Engineering and Trading (S) Pte Ltd and Stream Environment (S) Pte Ltd, two subsidiaries of the Group.

STRATEGY & ROADMAP

The Group's continuation of long-term sustainability efforts began with the consideration of the 193 nations' ratification of the UN SDGs on September 2015, of which Malaysia and Singapore are a part of, an integral part of the Group's Sustainability Strategy. In FYE2020, the Management of AWC has crystallised the four UN SDGs selected from the previous year, namely SDG 8, 9, 10 and 12 as the main focus of Sustainability matters from here on out.

Diagram 3.0 - Four UN SDGs that embody the Sustainability agenda in AWC

UN SDG 8 - Decent Work And Economic Growth

In AWC's daily operations, its dedication in providing excellent products and service outcomes to consistently exceed customers expectations is the strategic difference that continues to drive the Company forward. In previous disclosure, the Group has mentioned its adherence to the Minimum Wage Order 2016, Occupational Safety and Health Act (OSHA) regulations and other mandatory acts and regulations set by the Malaysian Government on employability conditions. In addition to these, the Group extends these standards and regulatory compliance to meet Singapore's rules of operations for its Singaporean business units within the scope of this Report.

As an Employer of repute, AWC seeks to provide a conducive and healthy work environment with an internal set of safety management measures, with the latest inclusion of Covid-19 prevention measures adopted throughout its premises of business. Additionally, the Group celebrates the festivities of the multicultural society and communities that it operates in, to promote societal harmony among its staff and its local communities.

UN SDG 9 - Industry, Innovation And Infrastructure

To fulfil this UN SDG's goal to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation, the Group's achievement of the ISO 9001:2015 Quality Management System since 2018 has set the benchmark for the quality of its service deliverables. Since this achievement, an internal control system that monitors product and service performance continuously collects feedback from regular customer satisfaction surveys to ensure customer satisfaction, sustained productivity levels and enhanced operational standards are met.

Key to sustaining a culture of innovation at AWC, the internalised documentation and process flow that embeds compliance with the ISO 9001:2015 certification is made part and parcel of daily operations. That is what keeps AWC's product and Research & Development ("R&D") departments consistent in managing the development of innovative products that anticipate and resolve the Group's client base's needs.

UN SDG 10 - Reduced Inequalities

The foundation of AWC as a leading engineering service provider is to provide both services to its customers as well as employment opportunities to its employees. In the former, a transparent and strict procurement management system of its suppliers and vendors ensures smooth delivery of services to its customers while in the latter, a series of training and talent development opportunities encourage the professional growth of its employees.

The robust vetting process of vendor approvals, fixed monthly service agreements with pre-approved suppliers and due diligence in tenders and bids reduce inequalities and prevents expensive mistakes from being made further in the value chain. In the meantime, talent development programmes run both internally and externally addresses any knowledge or experiential gaps be it soft or hard (technical) skills for employees at all levels and disciplines throughout the Group.

UN SDG 12 - Responsible Consumption and Production

To ensure sustainable consumption and production patterns, the Group is well aware of its role in the building management, engineering works and supplies it provides at their clients' buildings and locations. From energy and water efficiency measures to waste management and recycling on the principles of the 3Rs of Reduce, Reuse and Recycle, the Group looks at the entire Supply Chain to reduce consumption and responsible use resources available to us.

Among previous disclosures still practiced are energy savings initiatives of air-conditioning units that function at optimum temperature and timed loops, motion-sensor lighting and switching off non-essential lighting past production hours; water savings initiatives of regular monitoring against leakages and waste management and recycling such as printing on both sides of the paper and recycling office supplies among others.

ROADMAP

From the inaugural Sustainability statement, the Group had set its direction in embedding Sustainability through the Roadmap (Diagram 4.0) below. At present the Group has expanded its scope to include Singapore and in future, the Middle East within its scope for disclosure.

The Group is currently in the transition phase of reporting, where it has crystallised the UN SDGs it has identified from FYE2019's reporting and is poised to adopt the current intersection of both GRI and UN SDG reporting.

- Scope: Malaysia
- Material EES Indicators
- GRI relevant disclosures for Facilities Management, Environmental & Engineering Services and Rail
- UN SDG focus identified

- Scope: Malaysia & Singapore
- Material EES Indicators
- GRI relevant disclosures for Facilities Management, Environmental & Engineering Services and Rail
- UN SDG embedment & report

- Scope: Malaysia, Singapore & the Middle East
- Material EES Indicators
- GRI relevant disclosures for Facilities Management, Environmental & Engineering Services and Rail
- UN SDG relevant disclosures for Facilities Management, Environmental & Engineering Services and Rail

Diagram 4.0 - AWC Berhad's Sustainability Reporting Roadmap

STRUCTURE & GOVERNANCE

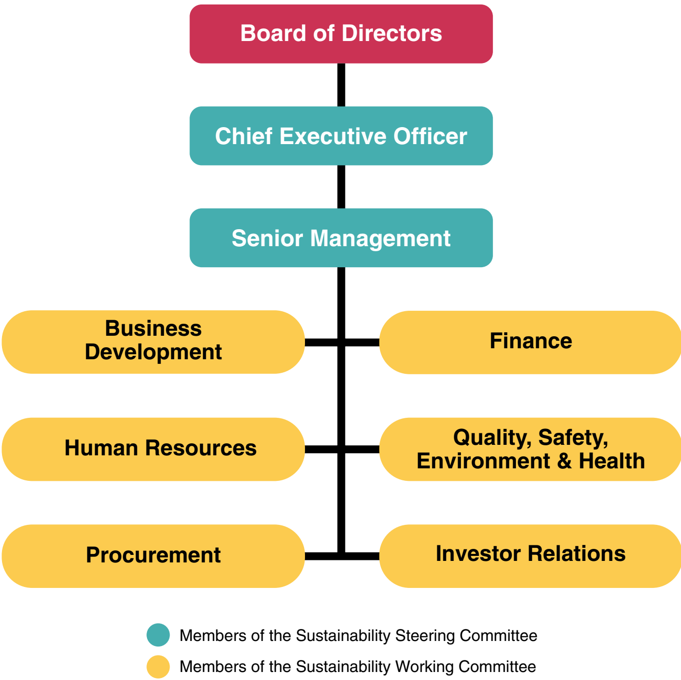


Chart 1.0 - AWC Berhad's Sustainability Governance Structure

Since Sustainability reporting began for AWC, the established three-tiered Sustainability Governance Structure put in place has not changed. The Board of Directors ("BOD") at the apex of the Group's Sustainability agenda have progressively embedded Sustainability within AWC's day-to-day operations through its series of discussions held at board level.

The mandate given to the Group Chief Executive Officer as the chair of the Sustainability Steering Committee ("SSC") is supported by the Senior Management team and has functions listed in Table 1.0 below. Implementation and execution of Sustainability matters are performed by the Sustainability Working Committee ("SWC") who performs the dual function of execution and feedback gathering in daily operations to elevate to the SSC during the annual review of Sustainability matters, which then are discussed and approved at the BOD level.

COMMITTEE	ROLES & RESPONSIBILITIES
BOD	1. Oversee the progress of the Company's Sustainability initiatives 2. Give final approval on all policies, strategies & initiatives by SSC
SSC	1. Finalise Material Sustainability Matters identified by SWC 2. Monitor & implement BOD-approved Sustainability initiatives 3. Oversee SWC's efforts in implementation of Sustainability initiatives
SWC	1. Identify & present Material Sustainability Matters to SSC during Company's daily operations 2. Formulate & implement Sustainability initiatives in line with Company's business values & aspirations

Table 1.0 - Roles & Responsibilities - AWC's Sustainability Governance Structure

STAKEHOLDER ENGAGEMENT

A business' Sustainability considers the direct inputs to a business whereby interactions with both internal and external stakeholders are essential to unlocking the value of the business' products and services. From previous disclosure, this year's Sustainability Report aims to streamline further the groups of stakeholders that are engaged by AWC.

The SWC has indicated the following stakeholders, manner and frequency of engagement within the table (Table 2.0). It is worth noting that since the beginning of the Covid-19 pandemic, all in person and face-to-face types of engagement has moved towards the digital space and the frequency of engagement has also reduced to only essential engagements.

STAKEHOLDER GROUP	ENGAGEMENT METHOD	FREQUENCY OF ENGAGEMENT
CUSTOMERS	• Customer feedback & satisfaction surveys • Market Research • Operational Meetings	• Biannually • Bimonthly • Monthly
REGULATORY AUTHORITIES/ STATUTORY BODIES	• DOSH inspection of elevators & escalators • Fire safety & building inspection - Fire Department • Electrical Engineer's Facility Inspections • External Audit - Quality Management System (QMS), Finance, Operations & Procurement • CIDB Assessment • Safety Incident Reporting	• Annually • Annually • Fortnightly • Annually • Upon renewal of CIDB Certificates, Green Cards etc. • When required
SENIOR MANAGEMENT/ LEADERSHIP TEAM & EMPLOYEES	• Townhalls • Training & Talent Development • Internal Audit - Operations • Employee Performance Evaluation • Employee Engagement Survey	• Quarterly • Monthly • Annually • Annually • When required
SUPPLIERS & VENDORS/ CONTRACTORS (SUB-CONS)	• Suppliers/Vendors Assessment • Suppliers/Vendors Registration • Suppliers/Vendors Performance Review • Quotation Evaluation • Face-to-face Meetings & Evaluation Checklist • Credit Tip-off Service (CTOS) • Market Feedback Sessions	• Prior to Appointment • When required • Annually • When required • When required • When required • When required
INVESTORS & MEDIA	• Annual Report • Annual General Meeting (AGM) • Corporate Website Updates • Investor Earnings Briefings • Investor/Analyst Briefings • One-on-one Investor Meetings • Media Conferences & Exhibitions in International Exhibition & Trade Shows/ Exhibitions/Conferences	• Annually • Annually • During Bursa Announcements/Product or R&D Announcements • When required • Biannually • When required • Quarterly
LOCAL COMMUNITY	• Donations • Employment opportunities	• Annually • Annually

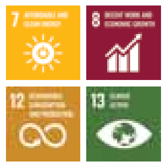
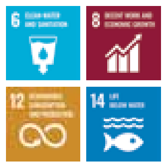
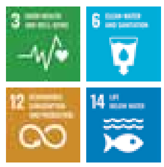
Table 2.0 - AWC Berhad's Stakeholder Engagement

MATERIAL MATTERS

Within the scope of reporting and continuing previous disclosures, the identification and prioritisation of Material Sustainability Matters ("MSM") refer to Bursa's initial recommendation of the Economic, Environmental & Social ("EES") pillars for Sustainability Reporting in their inaugural Sustainability Reporting Guide ("SRG"). Prior disclosures had seen the identification of 11-12 MSMs that impact the Company's business operations and are a concern for the various stakeholder groups.

Further to this, the SWC had reviewed its sustainability matters through the lens of Bursa's list of suggested themes and indicators, to include matters faced by all sectors and those faced by its individual divisions including Construction & Real-Estate (for the Facilities Management Division), Trading/Services (Non-Financial) (for the Environmental & Engineering Divisions) and Transportation (for the Rail Division). As part of the process review, matters deemed irrelevant to the Group were removed from consideration. Based on this, the list of material sustainability matters were categorised by key stakeholder groups and disclosed in the following section, Themes & Indicators.

LIST OF MATERIAL SUSTAINABILITY MATTERS

STAKEHOLDER GROUP	MATERIAL SUSTAINABILITY MATTER (MSM)	THEMES & INDICATORS	RELEVANT UN SDG
CUSTOMERS	PRODUCT & SERVICES RESPONSIBILITY	1. Environmental & Social impacts of Products & Services during their lifecycle 2. Innovation to reduce impact 3. Feedback loop on complaints & Customer Relationship Management 4. No of Cyberattacks per annum	
	ENERGY	1. Total amount consumed 2. Amount of energy reduction from conservation & efficiency initiatives 3. Energy intensity	
	WATER	1. Total volume consumed 2. Percentage of water recycled & reused 3. Water & water-related impact management	
	EFFLUENTS & WASTE	1. Total weight/volume of hazardous/non-hazardous waste/effluent 2. Total weight/volume sent to landfills	

STAKEHOLDER GROUP	MATERIAL SUSTAINABILITY MATTER (MSM)	THEMES & INDICATORS	RELEVANT UN SDG
REGULATORY AUTHORITIES/ STATUTORY BODIES	ANTI-CORRUPTION	Policies developed to educate & inform workforce against corruption	
	ANTI-COMPETITIVE BEHAVIOUR	Policies developed to encourage fair competition in tender/bidding process	
	BIODIVERSITY	Policies developed to protect endemic species in protected areas and areas of high biodiversity	
SENIOR MANAGEMENT/ LEADERSHIP TEAM & EMPLOYEES	DIVERSITY	1. Diversity in workforce, management & board by Gender, Age, Ethnicity & Disability 2. Ratio of Foreign:Local low-skilled labour force 3. Employment arrangement - Foreign:Local contracted posts	
	OCCUPATIONAL SAFETY & HEALTH	1. Percentage of employees undergoing Occupational Safety & Health training per annum 2. Total & rate of work-related injuries, fatalities, accident frequency & severity per annum 3. Brief description of Health, Safety & Environment ('HSE') Org Chart & Committee at work sites	
	LABOUR PRACTICES	1. Average training hours per employee per annum by category 2. Total & rate of employee turnover by age, gender and disability 3. Employee benefits	

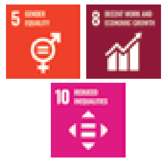
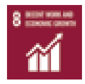
STAKEHOLDER GROUP	MATERIAL SUSTAINABILITY MATTER (MSM)	THEMES & INDICATORS	RELEVANT UN SDG
SUPPLIERS & VENDORS/ CONTRACTORS (SUB-CONS)	PROCUREMENT	Percentage of budget spent on local suppliers at each market location	
	SUPPLY CHAIN MANAGEMENT	1. Identification of new suppliers & vendors 2. Annual audit of supplier & vendor excellence 3. Supplier & vendor management in non-compliance matters	
INVESTORS & MEDIA	ECONOMIC PERFORMANCE MARKET PRESENCE	Financial & Operational outcomes as reported in main Annual Report	
LOCAL COMMUNITY	COMMUNITY INVESTMENT	Amount spent on external beneficiaries	
	INDIRECT ECONOMIC IMPACT	Impacts of direct investment/financial transactions between Group and stakeholders	

Table 3.0 - List of Material Sustainability Matters & Themes & Indicators

PRIORITISATION OF MSM & MATERIALITY MATRIX

Prioritisation of the material sustainability matters were done in accordance to the weighted average method based on the importance to the different stakeholder groups and the SWC's in-house scale developed according to the importance of these matters to the Group's EES impacts. Based on these, the Group's Materiality Matrix is as per Chart 2.0:

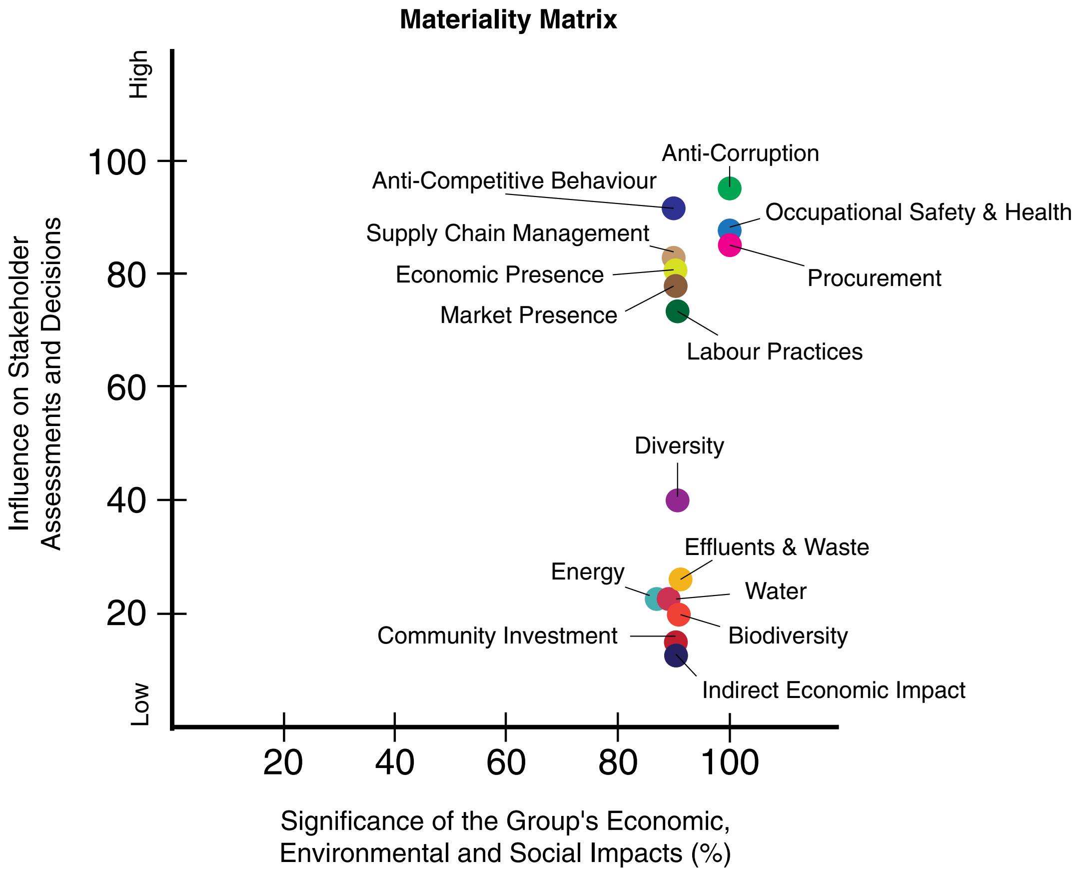


Chart 2.0 - AWC Berhad's Materiality Matrix

THEMES & INDICATORS

Based on Bursa Malaysia's Sustainability Reporting Guide, the Sustainability Working Committee has decided to refine this year's Report to group how the different themes and indicators impact the key stakeholder groups. The preparation of this Report for disclosure in this manner takes into consideration the main issues impacting the particular stakeholder group, while taking into account that there are material matters that overlap within stakeholder groups.

While there is only one internal stakeholder, namely the Senior Management/Leadership Team and Employees, this stakeholder contributes the most to the Social pillar of the EES model and is the lifeblood of the Company's performance and achievements.

Further discussion on external stakeholders take into consideration the very much changed business environment with the onset of the global pandemic Covid-19 and its associated challenges leading to a new normal in business activities. For the most part, all business units have been practicing local Government laws in conducting daily operations, including measures on sanitisation & hygiene, social distancing and even the enforced lockdowns globally which has seen a new way of conducting meetings and work from home practices.

Each business unit has faced its own challenges and risks and these will be incorporated in discussion within the external stakeholders of Customers, Regulatory Authorities/Statutory Bodies and Suppliers & Vendors/Contractors (Sub-Cons). For the two stakeholder groups of Investors & Media and Local Community, a different path to engage these two stakeholder groups involve the use of technology to bridge the gap of communication in person. Thankfully, for the first half of FYE2020, activities carried out involving the Local Community had still been undertaken as planned. However, the Committee is studying other methods of outreach to local communities now that the need is greater and more urgent than before but under much stricter guidelines to follow.

CUSTOMERS

The saying that the Customer comes first is at the heart of any business or service provider. In AWC, the client base we have cultivated over the years is a testament to how we have prioritised their needs and provided services in integrated facilities management (IFM), waste management systems (Environment division), engineering trading and services right from the Plan, Design and Build phase (Engineering division) to track work and supplies (Rail division) of rail transport.

Unsurprisingly, the customers we have, range from Government and Private entities from a diversity of industries including Property Development & Construction, Healthcare and Hospitality service providers all the way to Transport and Environmental service providers. To cater to a large and diverse suite of customers, it is important that the Group embodies **Product & Services Responsibility** and prudent management of **Energy, Water** and **Effluents** & **Waste**, which will be discussed within this section.

Product & Services Responsibility

The two pillars under consideration within this theme are both Environmental and Social impacts which the Committee considers for both Malaysian and Singaporean markets.

Environmental Impact

Based on the Group's services within all its business divisions, the provision of services adhered to strict Government regulations and the Company employs an active Regulatory Requirement Risk Matrix. Building on previous disclosure, the Group's Facilities, Engineering and Environment divisions were certified ISO 9001:2015 Quality Management System (QMS). This ensures benchmark compliance for installation works. In the meantime, the Rail division adheres to international standards of safety and quality, ensuring all products such as track materials, equipment and machinery provided and services such as manufacturing of glued insulated rail joints, thermal welding works and pre-assembly of turnouts all meet regulated standards.

Social Impact

In terms of the social impact, the Group has managed an average of 17 service requests and complaints per month per site under the Group's operation and maintenance in FYE2020. Through feedback analysis, the Group's main key result areas (KRAs) are identified and resolution of these issues are aimed to be faster and visibly reduced over time.

In terms of Customer Relationship Management (CRM), the Group employs a structured approach, with Helpdesk and dedicated channels of communication designed to alleviate and resolve the customers' issues in the shortest time possible. Service requests and complaints are logged into each division's complaints and work order modules. There are assigned staff observing the performance indicators set to the response and rectification of the customers' needs per contract and quality objectives.

Additionally, market research and operational meetings gather the latest industry practices and brainstorm ways of doing R&D on industry best practices for the near future.

Cybersecurity

As the new normal of doing business grows increasingly online, Government legislation such as the Personal Data Protection Act (PDPA) in Malaysia and Singapore, becomes even more relevant with a focus on cybersecurity as a risk and opportunity increases. The Group's investment into cybersecurity wares have been performing the task of keeping the customer database and other Intellectual Property of the Group safe from the risks of hacking, malware and other forms of cyberattacks. In FYE2020, the Group has not encountered any cyberattacks.

Energy

Among the key markers of the Energy theme under the Environment pillar is the total amount of energy consumed. As the Group manages facilities for its clients, those under its purview have a total baseline/capped consumption of 3.11 million kWH per month. Variations include the differences between the industries of clients, however, having a baseline/ capped consumption is the Group's way of managing energy consumption in a responsible manner.

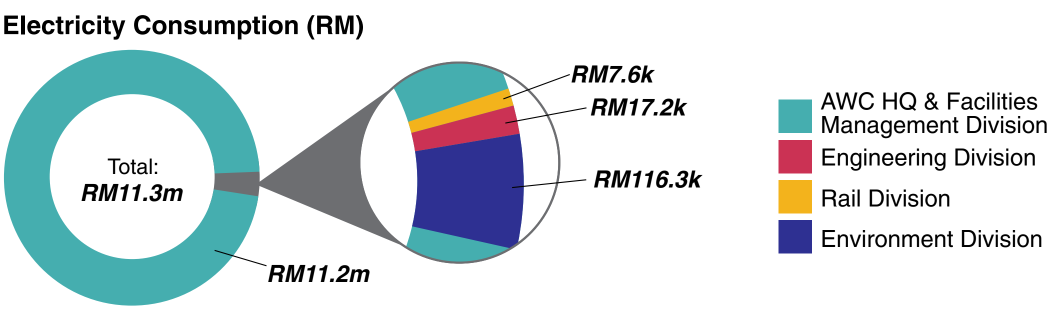


Chart 3.0 - AWC's Annual Energy Consumption in FYE2020

The reduction and conservation of energy that has been undertaken by the Group has seen a 16.7% reduction from actual amount standing at 2.59 million kWH per month. Although the energy management plan of the Group does not include the use of renewable energy, the energy efficiency methods has seen an average building energy intensity of 107.8 kWH/sqm/year.

Water

The indicators within the Water theme under the Environment pillar are similar to the Energy theme, however, in light of the recent water outages and shortages within the Klang Valley as recent as FYE2020, supply and conservation of water has become even more important in business sustainability.

In the year under review, the Group's main average consumption for facilities it manages for clients stood at an average of 38,200 m^3 per month. While there are different solutions applied for different clients, it is worth noting that the Group's water minimisation initiatives programme secured Menara Persekutuan Melaka the Third Prize for Melaka State in 2018. Since then, the Group has been on the forefront of creating value for the premises it manages by including water conservation efforts in its suite of services.

In the case where there are water or water-related impacts to operations, the Group has developed and implemented an Emergency Response and Contingency Plan to supplant the impact to its operations. In the year under review, the Group's water consumption amounted to approximately RM1 million, with water conservation efforts and rainwater harvesting among methods used by the Group to reduce reliance on treated water resources where possible.

Effluents & Waste

In what is perhaps an unseen outcome of the Covid-19 pandemic to healthcare facilities are the waste management services needed to handle the higher testing station needs, as well as the need to maintain higher sanitary and hygiene standards to contain the outbreak of the pandemic. Within the ambit of the Group's services to the healthcare facilities it manages, the total amount of healthcare waste handled, comprising both clinical and bio-hazard waste amounts to 35,000kg per month.

In addition to this, portering, containers, bags and routes that are pre-approved according to operating procedures need to be adhered to strictly. The Group ensures that disposal of waste from facilities it manages are disposed of through dedicated vehicles and adheres to consignment notes from the Department of Environment to ensure that there is no threat to the surrounding environment or during transport to the disposal site. All disposal sites are done at Kualiti Alam integrated hazardous waste sites.

Every care has been taken to minimise waste with joint waste minimisation and recycling projects done with the Department of Environment at Menara Persekutuan Melaka as part of the Group's initiative to reduce dependence on landfills. However, the total general waste handled and disposed at landfills is estimated to be at 1,200 tonnes per month.

REGULATORY AUTHORITIES/ STATUTORY BODIES

As a public-listed company, the Group is committed to uphold strong regulatory conduct during business operations and has put in place internal documents to ensure that daily operations are done in a transparent and responsible manner. Among the external codes and acts that are relevant to the practice of business within the Group's daily operations include:

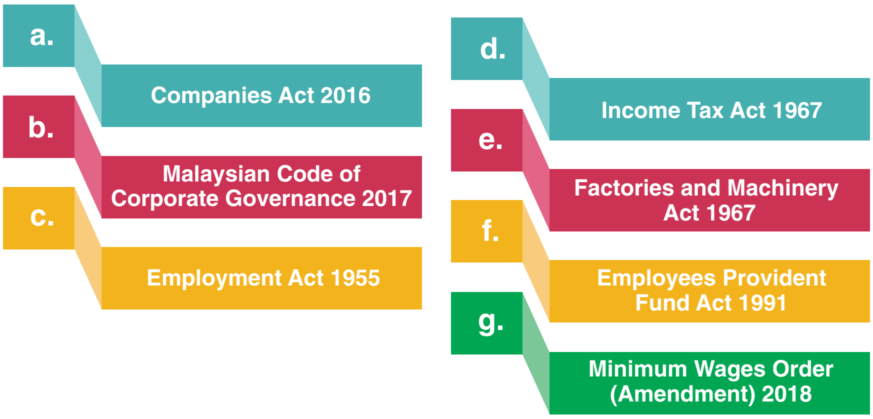


Chart 4.0 - Key Regulatory Codes & Acts Governing AWC's Daily Operations

There are three sustainability matters that are discussed within the scope of this stakeholder group, which are **Anti-Corruption, Anti-Competitive Behaviour** and **Biodiversity.**

Anti-Corruption

The chief documentation in any incorporated company is its Code of Conduct ("Code") which enshrines the values of ethics and integrity of an employee to strive towards a high degree of professionalism, loyalty to the Group at all times and to serve in their roles with honesty, integrity and courtesy. All the while, displaying a high sense of responsibility to the Group and teamwork as well as being innovative and creative in the execution of their duties.

This Code in essence prohibits an employee from seeking positions for personal gain and details behaviours which are unethical or improper such as to solicit or receive entertainment, gifts, public statement, sexual harassment and confidentiality of information, among others. This Code and its details are communicated to employees during orientation via the Employee Handbook.

Should there be a situation which a whistle blower needs to highlight an incidence of improper conduct, unethical behaviour, malpractice or illegal acts, the Group provides for a Whistleblowing Channel in which the grievance may be lodged to a Grievance Committee and the identity of the whistleblower would be protected.

Anti-Competitive Behaviour

The Group has put in place a transparent and strict procurement management system since its inception and intends to uphold its strict standards not merely as a matter of compliance but also as a matter of long-term business growth as it attests to the quality that a robust vetting process derives. Within this matrix of supplier/vendor identification and selection, the Group attests to all Anti-Competitive declarations required in any tender or bid for a project by the Group. Per mentioned in UN SDG 10's primary disclosure, a strict vetting process means that the Group is able to safeguard its products and services from costly mistakes being made further down the value chain.

Biodiversity

Just as individuals take a collective responsibility for Mother Nature, the Group's sense of responsibility sees it undertaking dialogues and meetings with facilities owned by its clients. This is true particularly when the site or the facility being managed is surrounded or adjunct to habitats which are either protected or of high biodiversity. Within the Group's management, it has empowered the different heads of divisions to elevate matters for discussion should any activity be planned on premises it manages for its clients encroach on biodiversity. A chain of action is then followed within the Group's Environmental Policy.

SENIOR MANAGEMENT/ LEADERSHIP TEAM & EMPLOYEES

The main internal stakeholder in this report discusses both the leadership of the Company as well as its Employees. Among the three main indicators for this group include **Diversity, Occupational Safety & Health** and **Labour Practices**, which cover, among others, Training and Talent Development, as well as Employee Benefits.

Diversity

Diversity and its often mentioned partner, Inclusion, are two of the key highlights which measure the success rate of an organisation. Various independent studies point to the higher rate of success in organisations which promote a higher rate of diversity within the different levels of its operations. This indicator seeks to measure the diversity of the Group's down to its grassroots.

Within the BOD and Senior Management team, all six are Malaysian and of note is female representation at BOD level is 17%, which is significantly higher than other engineering services companies. This provides solid ground for the discussion of a 30% female representation at BOD level that is currently ongoing.

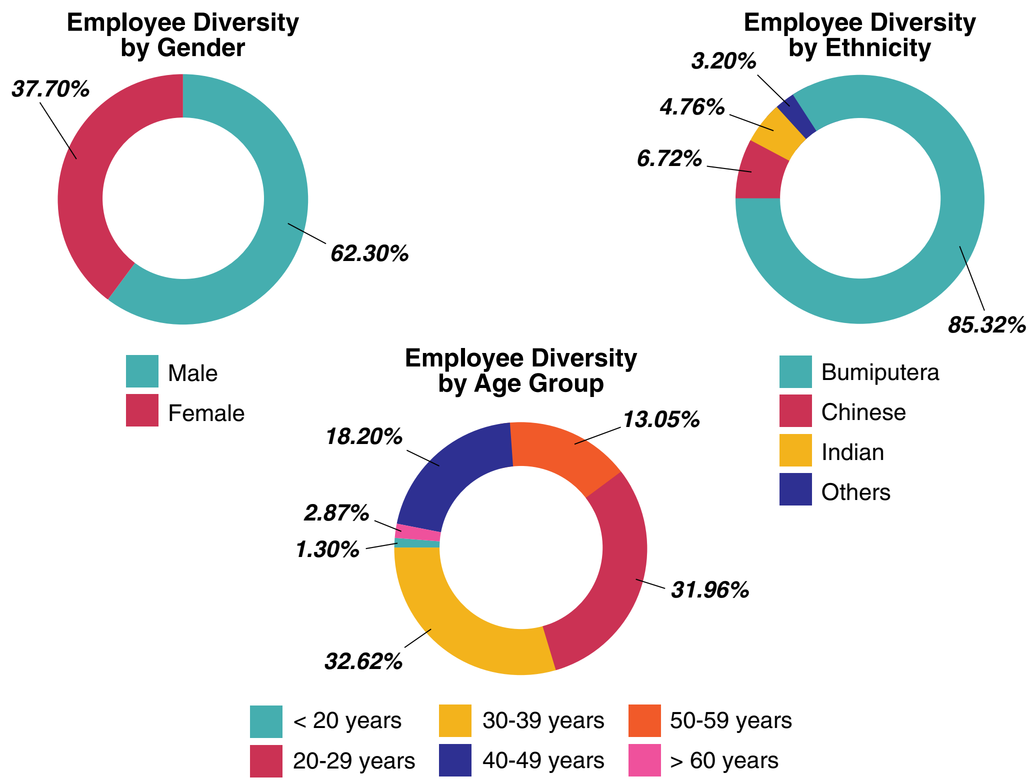


Chart 5.0 - Diversity by Gender, Age Group & Ethnicity

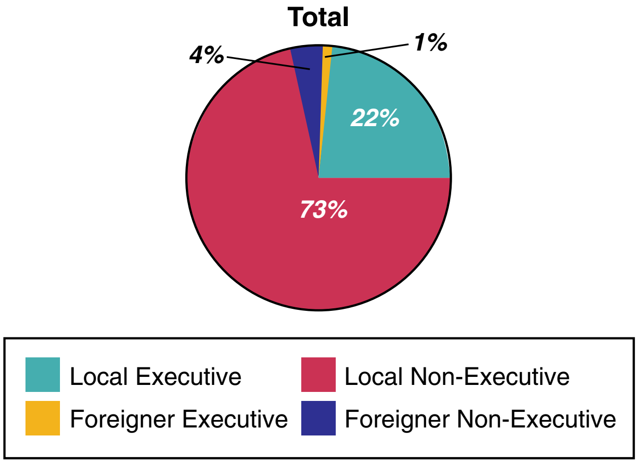
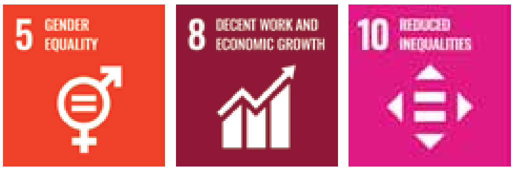


Chart 6.0 - Division of Labour - Local to Foreign Workforce

Meanwhile, in operations, locals comprise 95% of the workforce with only a 4% foreign non-executive workforce within the Group. Due to the nature of business, executives comprise only 23% of the workforce while non-executives are the largest group at 77% as skilled (non-executives) are required to be based at the Group's managed facilities. As an equal opportunities employer, AWC has seen persons with disabilities joining its ranks since its establishment. In FYE2020, this group comprises 13 individuals throughout the 4 business divisions of the Group.



Occupational Safety & Health (OSH)

The Group complies to the main Occupational Safety & Health Act 1994 with part of Training and Talent Development providing the necessary guidance and skill enhancement needed to ensure the Group's employees' health, safety and wellbeing at work. In FYE2020, there had been no reports of work-related injuries, fatalities or lost man-hours from accidents related to the job.

As per the Group's previous disclosures, each business division has put in place their individual Health, Safety & Environment ("HSE") Organisation Chart & Committee at the relevant work sites. For the Facilities division, the HSE Committee is responsible for developing health and safety procedures, reviewing guidelines and policies and carrying out on-site investigations should there be accidents, near misses, dangerous incidents, occupational disease outbreaks or unsafe or unsanitary working environments. The Engineering division, meanwhile, places the main contractor in charge of HSE matters.

Labour Practices

As an Employer of repute, AWC provides for the normal set of employee benefits as stipulated in the Employment Act 1955 and Employees Provident Fund Act 1991. The former mentions the condition of Employment, in which working hours, rest days, health and SOCSO provisions are made available to the employees of the Group. The latter institutes the provision of the EPF rate for employees with the Group, with AWC contributing the mandatory 12% for employees drawing salaries above RM5,000 and 13% for employees drawing salaries up to RM5,000 for the employees old-age or retirement fund. Other employee benefits are outlined in the contract with the Employee or are otherwise stated in the Employee Handbook.

Training - Talent Development

The Company sees fit to provide training and development programmes for its employees of different levels, depending on their skills or knowledge gaps. The training takes place both internally and externally and range from hard (technical) skills to soft skills, OSH Training to financial and ethics training. The Management team logged 15.11 hours of average training hours which matches their skill set development versus just 5.73 hours for Executives and only 2.94 hours average for Non-Executives.

As the gender ratio is skewed to more males in the Company, males in the company attended 5.24 average training hours compared to just 3.3 hours by females. Furthermore, the employees of AWC logged in a total of 676.5 hours across the board, translating to an average training hour per person of 4.42 hours. This commitment by the leadership shows its desire to continually improve the skill levels of its employees as well as continue to grow the talent onboard.

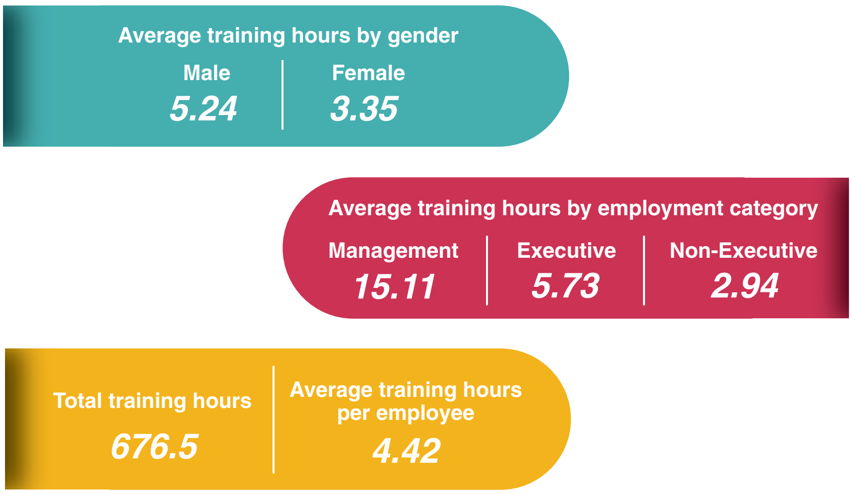


Chart 7.0 - AWC Berhad's Training & Talent Development Matrix

Retention - Staff Turnover

In the year under review, the Group has seen the departure of 245 personnel, a decrease of 48% year-on-year, and has not experienced any sharp reductions to performance in daily operations. As part of the dialogue that Management has with Employees, the issue of retention and turnover helps provide feedback for the sustained performance and achievement of goals by the Group. Ultimately, it helps the Group chart individual career progression paths, competitive remuneration and performance rewards as well as provision of a host of employee benefits, the basics of which, were mentioned prior.

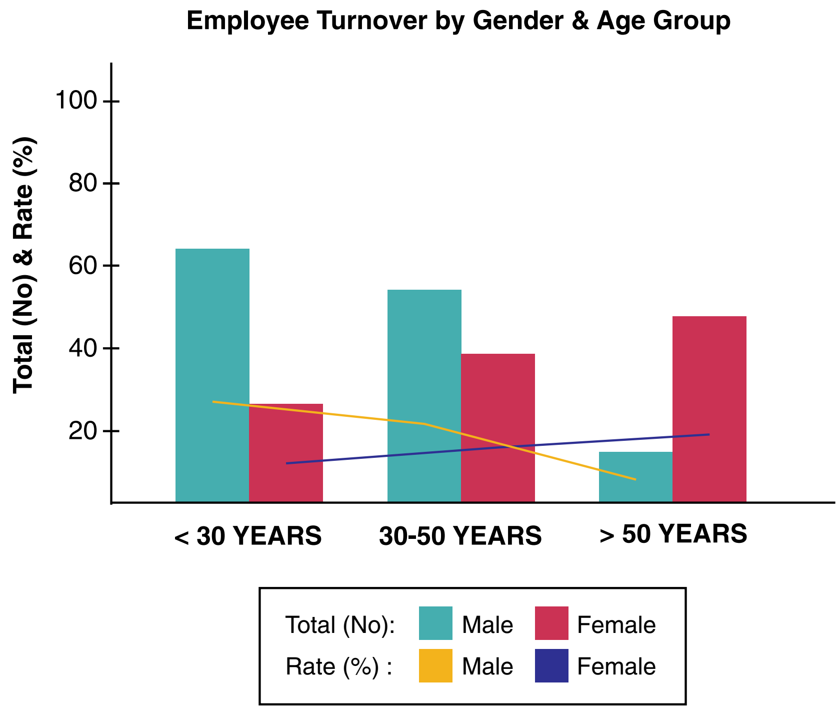


Chart 8.0 - Total & Rate of Turnover by Gender & Age Group

SUPPLIERS & VENDORS/ CONTRACTORS (SUB-CONS)

Managing a tight ship regardless of operating challenges involve finding the right fit in terms of cost, quality and service outcomes for any business. This is the same for AWC when it comes to its stringent and transparent assessment of Suppliers/Vendors and Sub-Contractors. Long-term business sustainability for this stakeholder group transcends beyond cost-efficiency but relates to sustained quality and results for its client base. The two indicators mentioned within this theme will be **Procurement** and **Supply Chain Management.**

Procurement

The main consideration of this indicator is the percentage of Procurement budget spent on local suppliers at each market location to ensure that local suppliers and vendors, which can get in local supplies, will reduce the cost of transport and logistics, thus deriving ultimate cost savings to the Group. Furthermore, a local supplier or vendor will also have a smaller carbon footprint when transporting locally-sourced materials rather than an overseas vendor would.

For the Group, most of the Procurement budget is spent on local suppliers with a preference given to suppliers and vendors who show a good track record of performance and on-time delivery in addition to cost effectiveness. The main control document that is provided by the Procurement department is the Quotation Evaluation during the initial assessment of the Group's new Supplier or Vendor.

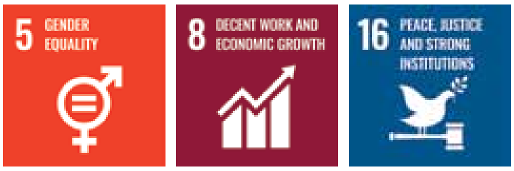
Supply Chain Management

In Table 2.0, the control documents used in the Supply Chain Management were stated to include the identification of new suppliers and vendors, an annual audit of suppliers and vendors and management of suppliers and vendors in provision of products and services.

At the start of the process, a new supplier or vendor undergoes an assessment, which may also include a Credit Tip-Off Service (CTOS). A robust evaluation at this initial stage takes into consideration the supplier or vendors' fit to the organisation's values as well as the track record of the supplier or vendor.

Upon confirmation of a supplier or vendor to the Company's register, a registration process takes place and upon the completion of the services rendered, there is a Performance Review to appraise the performance of the Supplier or Vendor. In the past, face-to-face meetings were conducted at the end of engagement, however, due to current restrictions, these meetings have been reduced in frequency.

In the completion stage to the Supply Chain Management, after the Evaluation Checklist has been signed off, there will be market feedback done to ascertain the reputation and quality of the Supplier and Vendor in the industry.



INVESTORS & MEDIA

As one of the main stakeholders that play a part in forming the approach that Management takes towards business operations, investors and media are arguably what makes a business tick. The cohesive support of investors drive the Group's business forward and the main considerations that an investor has are the **Economic Performance** and the **Market Presence** of the Group. While these two material sustainability matters are not within the ambit of Bursa's SRG, they remain essential to discuss in the long-term growth of the company.

As a mark of AWC's excellence in the past year for its Investor Communications, the Group received the Minority Shareholders Watch Group's (MSWG) Excellence Award for CG Disclosure (Market Cap Between RM100 million to RM300 million), setting the pace for its investor relations activities in the year under review and the future.

Economic Performance

The key indicators to a business' health is found primarily in the financial and operational outcomes that have been reported in the Management's Discussion and Analysis portion of this Annual Report. However, the main driver of economic performance remains sound business practices which do not harm the forward-going revenue stream or earnings potential of the company.

This ensures that while the Group has produced good returns to the shareholders in FYE2020, it is also nurturing the potential for growth within its business units. For example, the Group's Rail Division is working on introducing service and maintenance to its current suite of services which are currently offering only products for the rail track development. In addition, the Engineering division's plumbing and rainwater harvesting segment has seen an exciting foray into Sarawak, with its joint venture with Techkem Group of Companies (Techkem). The project, to supply and install mechanical and electrical works for Projek Rakyat Bekalan Air Kawasan Belaga, Bahagian Kapit, Sarawak, joins a list of landmark and turnkey water infrastructure projects, testament to the opportunity that awaits the Engineering division's contribution to the Group's revenue and profitability.

Market Presence

In terms of market presence, the Group's main business activities has seen its global footprint extend to the Middle East and within the context of this Report, regionally, to Singapore. The Group's market presence in a competitive sphere is sustained in an ever challenging operations due to the current global pandemic. The opportunity to expand its reach is now taken online and in the digital sphere as many events, roadshows and exhibitions have been postponed, cancelled or gone online completely. This year's Annual General Meeting (AGM), for example, has been moved into the online format to present the Group's financial and operational results while complying to Government and regulatory requirements for social distancing.

It is in this new normal that sustained media interest in the Group's multidisciplinary expansion in both product and services offerings as well as the geographical footprint that becomes a magnet in attracting public and investor attention alike. In engaging both media and investors, the Group has managed to compete and open up new niches for its products and services and still compete in an ever-changing landscape of engineering solutions.

LOCAL COMMUNITY

Despite the challenges operating in the new normal, the engagement of the local community remains an important part of AWC's agenda. Within this theme, there are two relevant indicators, **Community Investment**, which has a monetary aspect to it and **Indirect Economic Impact**, which is the impact caused by the Company's main business activities regardless of monetary impact.

Community Investment

In the past, community investments would take the form of donations to local mosques, charities and Non-Governmental Organisations (NGOs) which champion various causes for the underserved of society.

In FYE2020, AWC has managed to pledge a total of RM500,000 with RM250,000 channelled to the 'Tabung Bencana Negara Dalam Menangani Wabak Covid-19' to support relief effort and initiatives for survivors of the pandemic. The other half supported various staff welfare and wellbeing programmes and a few non-profit organisations.

In the second half of the financial year, community activities were put on hold as the Government declared lockdowns to curb the spread of Covid-19. The Committee is reviewing plans to proceed with the local community engagement in the near future to play their part as a responsible and caring corporate citizen. Even more so when the need for community outreach becomes greater and yet needs to take place under strict health and safety guidelines.

Indirect Economic Impact

Other than this, the Indirect Economic Impact of AWC's business activities has also benefitted the local communities surrounding it. Through its business operations, AWC's legacy is seen through the creation of welcoming and safe environments for its clients, who are property developers, healthcare and hospitality service providers, thus opening up a safe space for the community at large.

Additionally, the provision of rail and engineering services also enable local communities to travel and enjoy world class infrastructure from the works of AWC's contracted projects. These are indirect economic impacts of the business activities of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS ACTIVITIES

AWC Berhad ("AWC" or "the Company") is an investment holding company with three core activities undertaken by its subsidiaries (collectively, "the AWC Group" or "the Group"), providing Total Building Solutions in the following Divisions:-

NO.	DIVISION	CORE ACTIVITIES
1.	Facilities Division	Provides integrated facilities management ("IFM") services for the buildings and facilities maintained by the Division. This includes biomedical, facilities engineering maintenance services, security and cleaning services. This Division's main source of income is derived from a Concession awarded by the Federal Government to provide IFM services to the Southern Zone (comprising states of Johor, Malacca and Negeri Sembilan) and Sarawak. In addition to the Concession, we have been contracted to undertake the Critical Asset Refurbishment Programme ("CARP"), whereby we will undertake repairs, refurbishments and replacements of critical assets as predetermined by the Federal Government in the buildings and facilities under the Concession. The tenure for both the Concession and CARP is for a ten-year period from 1 January 2016 till 31 December 2025. The Division also carries out IFM work for Commercial and Healthcare segments. The subsidiary companies operating under this Division are Ambang Wira Sdn Bhd, AW Facility Management Sdn Bhd and Environmental & Landscape Services Sdn Bhd.
2.	Environment Division	This Division provides the design, supply, installation, testing and commissioning of automated pneumatic waste collection systems under the proprietary brand of 'STREAM' ("STREAM PWCS") with on-going projects located in Malaysia, Singapore, Taiwan, Hong Kong, India and the Middle East. This Division also undertakes operations and maintenance ("O&M") services of its STREAM PWCS for its clientele, where required. The subsidiary companies operating under this Division are Stream Group Sdn Bhd, Stream Environment Sdn Bhd, Stream Environment (S) Pte Ltd, Stream Group Sdn Bhd (Dubai) and Stream Group Sdn Bhd (Abu Dhabi).
3.	Engineering Division	This Division is a distributor of several international brands of building controls and engineering components for heating, ventilation & air conditioning (or commonly known as "HVAC") systems and provider of building management systems in Malaysia and Singapore. The Division undertakes larger projects in the HVAC field as a contractor for the implementation of full air conditioning systems and other Mechanical and Electrical Engineering ("M&E") works for buildings and facilities. These activities are carried out via M & C Engineering and Trading Sdn Bhd and M & C Engineering and Trading (S) Pte Ltd. It also undertakes all types of plumbing related works including cold/hot water and sanitary plumbing, via Qudotech Sdn Bhd ("Qudotech"). Qudotech has been active in the field since 1995. Qudotech undertook previously and are currently implementing several significant projects. Another wholly-owned subsidiary, DD Tehniche Sdn Bhd ("DDT") holds two exclusive dealerships for the distribution of Rainwater Harvesting Components and Products ("RHCP") in Malaysia. DDT undertakes the design, supply and installation of RHCP for all new and refurbished buildings. The plumbing and RHCP businesses are carried out via Qudotech and DDT.

NO.	DIVISION	CORE ACTIVITIES
4.	Rail Division	The Division provides railway construction and maintenance solutions by supplying and providing specialized services in the areas of the railway track, depot and rolling stock. This ranges from the manufacturing and trading of track materials, tools, equipment and machinery, supplying of depot equipment and tools, supplying rollingstock components and interior works, to providing track diagnostics and monitoring systems in Malaysia. It is also able to provide refurbishment works and maintenance activities for rolling stock, equipment and for machinery as well as specialized services such as design, engineering, technical support and supervision for track construction or maintenance activities. Additionally, this Division represents Principals from Europe, USA, Australia and China who manufacture and supply lifting equipment, precast polymer concrete crossing, track construction machinery, buffer stops, wheels, prestressed concrete sleepers, rail fastenings, turnouts, crossings and expansion joints. The Division's customers comprise all rail asset owners and operators in Malaysia.

OBJECTIVES & STRATEGIES

The Group's long-term objective is to be a leading, Malaysian-grown, engineering services group in Asia providing Total Building Solutions. Our objective is balanced with a commitment towards environmental conservation and protection in everything we do.

In line with our overall objectives, we have set out shorter-term goals for the Group and for each Division. These are defined in our business plans while annual targets and priorities are underlined in our annual budget. Our business plans include amongst others:-

a) Analysis of current business environment together with commercial updates and unique challenges experienced by each Division. We analyse the outlook, challenges and prospects for the immediate future (i.e. the next two financial years), and prospects beyond that, both from an operational and financial point of view. With our assessment of the future in hand, we then strategize our way forward to best face the challenges and also to take advantage of opportunities that may present themselves.

b) Divisional objectives together with the corresponding strategic directions and action plans to be embarked upon to:-
   i. achieve the prescribed targets and goals.
   ii. address the specific circumstances and challenges affecting each Division in achieving those targets and goals.

c) An assessment of various risks associated with each Division and the overall Group, and also of controls in place or planned to address or mitigate these risks.

d) Assessment and justification of requirements envisaged to undertake the business plan and towards achieving set objectives.

e) Action plans to be undertaken to head in the appropriate direction or to achieve set objectives.

f) Clearly defined management accountabilities and operational responsibilities.

g) Proposed timeline for the implementation and achievement where relevant of each strategic direction and action plan.

h) A framework for the control and monitoring of the progress of every strategic direction and action plan implemented. This would enable us to vary and/or re-strategize our action plans to take into account the situation on the ground.

The annual budget exercise deals with the above matters but goes into more depth looking at contemporary business conditions and updates. We regularly review the Income Statement and Balance Sheet on a detailed basis for each Division and subsidiary. We cover revenue (current and projected), progress of projects, operational issues and costing related matters. In reviewing projected revenue, we constantly assess our order book and project pipeline (i.e. potential projects) and cross-selling opportunities within the Group. The Board is regularly updated at Board meetings regarding the financial performance of the Group and individual Divisions against the budget approved, as well as against the previous financial year.

Where necessary, our budget (and our business plan) would be revised to accommodate the latest social economic developments and business updates.

REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

The Group

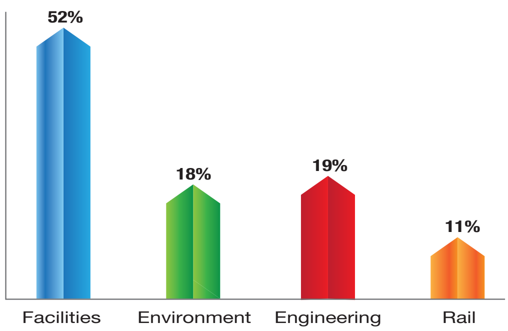
For the financial year under review, AWC reported a marginal decrease in revenue at RM315.1 million with the Group reporting its first full year loss since FYE 2008. The decline in overall performance was mainly attributed by the Covid-19 pandemic, which had resulted in a few one-off charges to bottom line.

During FYE 2020, the Group's revenue is contributed by four (4) divisions: facilities, environment, engineering, and rail. The Facilities division continued to be the largest contributor to Group revenue followed by the Engineering, Environment and Rail divisions, respectively.

Revenue by Division

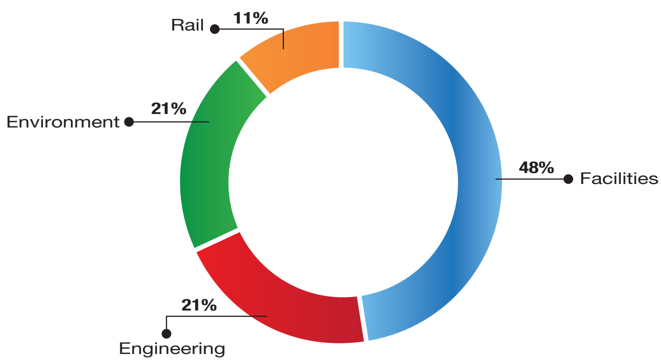
The Group reported RM315.1 million in revenue, a decrease of 5.3% as compared to FYE 2019 revenue of RM332.6 million. The lower revenue was caused by a number of factors mainly due to the Air-conditioning segment of the Engineering Division having completed most of the projects undertaken and the Environment Division which experienced slower project progress as well as effects from projects undertaken being temporarily stopped due to Covid-19. Breakdown of each division revenue contribution are depicted in the pie charts below:

Revenue by division 2020



Total RM315.1 million

Revenue by division 2019

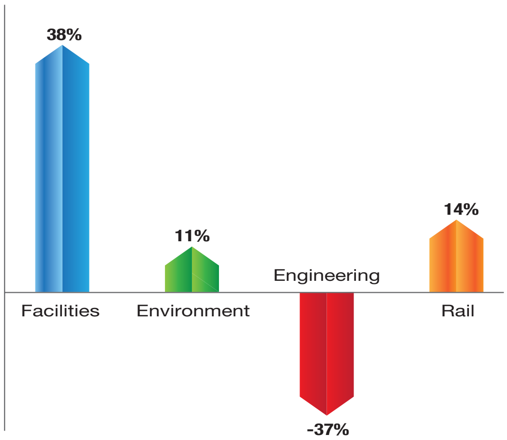


Total RM332.6 million

(Loss)/Profit Before Tax by Division

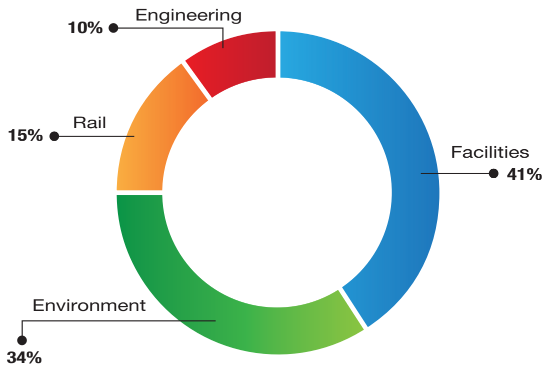
The Group's Loss Before Tax and Zakat for FYE 2020 was at RM7.2 million from a Profit before Tax and Zakat of RM37.6 million reported in FYE 2019, a decrease of 119.1% . The breakdown across all four (4) division of PBT is as shown in the pie charts below:

(LBT)/PBT by division 2020



Total -RM7.2 million

PBT by division 2019

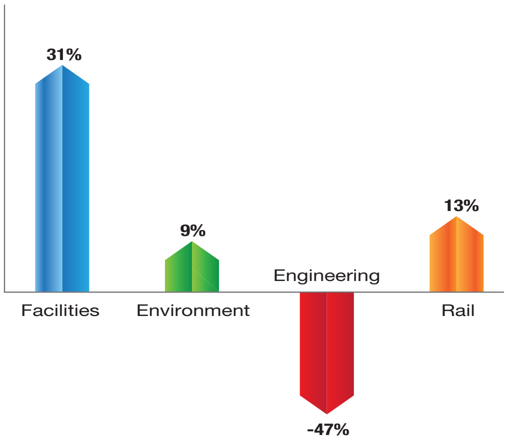


Total RM37.6 million

(LAT)/PAT by Division

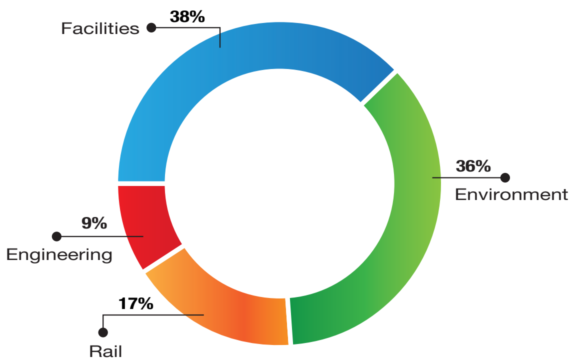
The Group's Loss After Tax amounted to RM15.3 million in FYE 2020, representing a decrease of 152.6% as compared to its corresponding year Profits of RM29.1 million. Pie charts below illustrates the breakdown across all four (4) divisions.

(LAT)/PAT by division 2020



Total -RM15.3 million

PAT by division 2019

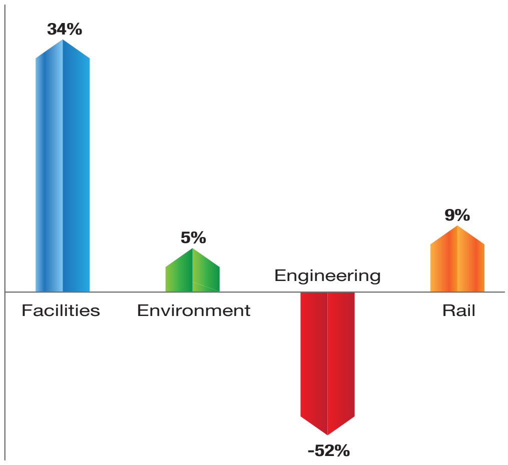


Total RM29.1 million

(LATAMI)/PATAMI by Division

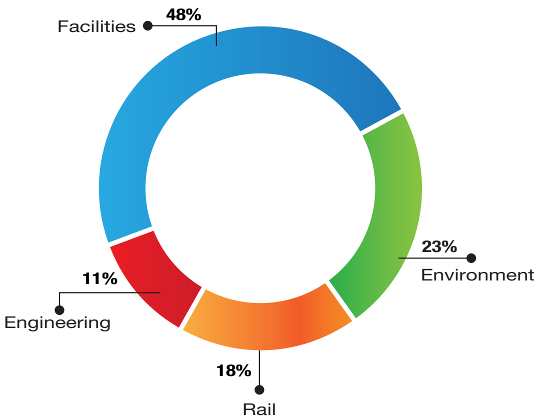
The Group's Loss After Tax and Minority Interest (LATAMI) reported at RM18.8 million in FY2020 as compared to PATAMI of RM21.4 million in FYE 2019 with a decline of 187.9%. Below shows the contribution across each division.

(LATAMI)/PATAMI by division 2020



Total -RM18.8 million

PATAMI by division 2019



Total RM21.4 million

Facilities Division

The Facilities Division reported a revenue of RM163.2 million for FYE 2020 which represents 51.8% of our total Group revenue, an increase of 3.2% against RM158.1 million from FYE 2019 which was mainly contributed by:

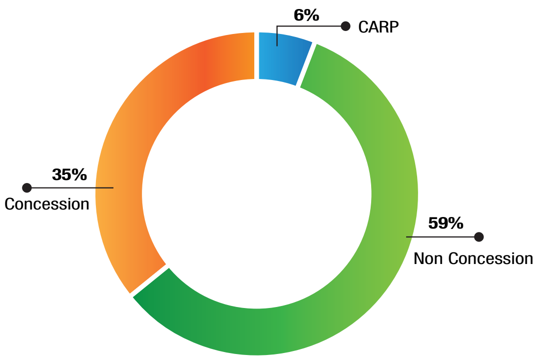
a) Commencement of new contracts secured during the year mainly Institut Kanser Negara and Menara PJH as well as full fledge operations of Bangunan JB Sentral which contributed RM34.79 million in revenue.

b) Contribution from the completion of roadworks at Customs, Immigrations and Quarantine Complex (CIQ) in Tanjung Kupang, Johor worth RM7.18 million.

c) Lower recognition of Critical Asset Refurbishment Programme ("CARP") revenue amounting to RM9.6 million as compared to RM31.2 million recognised in FYE 2019 offset the increase in revenue.

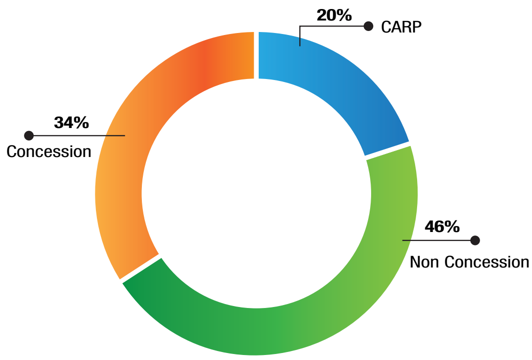
The businesses in the Facilities Division are broken into the Concession and Non-Concession segments. The Concession segment contributed approximately 35% to the total revenue of Facilities division in FYE 2020 whilst the Non-Concession segment contributed 59%. Award of new contracts and renewals of existing contracts namely Institut Kanser Negara, Menara PJH and Galeria PJH in Putrajaya, Celcom Non-network buildings nationwide, Wisma Mahmud in Kuching, Heriot-Watt University and Menara OBYU in Damansara Perdana contributed to the Division's financial performance.

Revenue by segment 2020



Total: RM163.2 million

Revenue by segment 2019



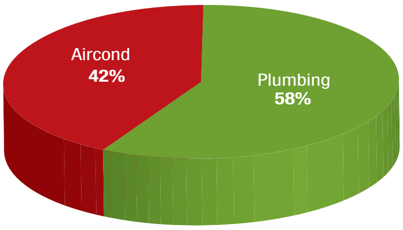
Total: RM158.1 million

Engineering Division

For FYE 2020, the Engineering Division contributed 19.3% of the Group revenue or RM60.8 million vs RM68.9 million reported in FYE 2019, representing a 11.8% decrease.

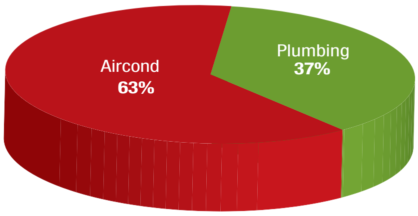
Overall, the weaker performance was mainly due to over-estimation of variation order value from a project undertaken by the Air-conditioning segment of the Engineering Division totalling RM3.3 million and the allowance of impairment loss on trade receivables of RM21.1 million. Despite the Movement Control Order (MCO) which had resulted in temporary halt of works, the Plumbing segment of the Division mitigated the drag on the Division and Group as a whole where major projects undertaken namely the Merdeka PNB 118, 8 Conlay and Lendlease Lifestyle Mall projects progressed well. Progress for the Merdeka PNB 118 project was at 43.2% as at end of FYE 2020 vs 20.6% in FYE2019, the 8 Conlay was at 33.6% vs prior year progress of 8.8% while for the Lendlease Lifestyle Mall, the percentage of completion of the project was at 23.2% vs 5.5% as at end FYE 2019.

Revenue by segment 2020



Total: RM60.8 million

Revenue by segment 2019



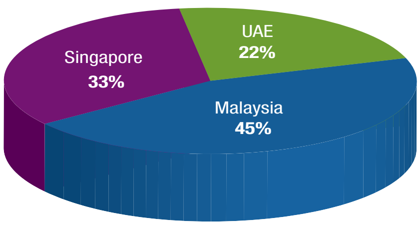
Total: RM68.8 million

Environment Division

The Environment Division contributed approximately 17.6% to our total Group revenue with RM55.6 million in revenue for FYE 2020, a decrease of 17.9% as compared to RM67.7 million for FYE 2019. The lower revenue was due to slower than expected project progress mainly in Malaysia and Singapore due to the MCO. Accordingly, profit margins experienced further compression due to the project delay, effectively impacting the bottom line of the Division. A prudent provisioning of receivables amounting to RM6.8 million further drag earnings lower. Projects completed during the year under review include Aspen Vision City Plot 3, Star Residences @ KLCC, Skyluxe On the Park in Bukit Jalil and Bennington Residences.

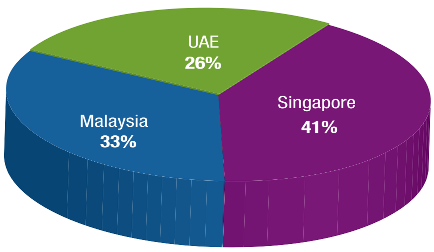
Moving forward, the Division is expected to pick up the slack and deliver better progress with its existing projects and new projects secured during the year. A balanced of new projects awarded during the year in Malaysia, Abu Dhabi and Singapore shall contribute positively to the performance of the Division in the coming years.

Revenue by Geographical Segment 2020



Total: RM55.6 million

Revenue by Geographical Segment 2019



Total: RM67.7 million

Rail Division

Into the second year with the AWC Group, The Division contributed RM35.5 million or 11.3% to the Group revenue in FYE 2020 vs its maiden revenue of RM38.0 million in FYE 2019. In FYE 2019, only 9 months of revenue were consolidated into the Group as the acquisition of Trackwork & Supplies Sdn Bhd ("Trackwork") was completed on the 9 October 2018. Earnings for the year came lower at RM4.6 million due to mainly reversal of work-in-progress amounting to RM2.6 million as well as slower project progress owing to the MCO.

New projects secured by the Division during the year such as the KVMRT2 and LRT3 Projects along with supply contracts overseas are expected to boost the performance of the Group in the future.

FINANCIAL POSITION

As at 30 June 2020, the Group's balance sheet remains healthy, boasting a net cash position of RM36.9 million and a net cash per share of 0.21 sen.

Current assets and current liabilities stood at RM286.8 million and RM109.6 million respectively, translating to a current ratio of 2.6x. Our Group's receivables stand at about RM109.9 million while payables are at RM80.7 million.

Total net assets amounted to RM176.4 million, or 59.8 sen per share, a decrease from RM198.3 million, or 67.7 sen per share in FYE 2019.

Overall, our balance sheet remained on solid footing and has sufficient working capital to execute all the existing projects in our order book. The Group's businesses are capable in sustaining an asset light approach due to the nature of low capital expenditure ("CAPEX") requirement. As such, there are no plans to undertake any significant CAPEX in the foreseeable future.

We do not foresee that there will be any significant change to AWC's capital structure, except for the impact from new shares issued in line with the exercise of the Employee Share Option Scheme ("ESOS") by the Group's eligible employees, as well as the enlarged share base resulting from the issuance of the final tranche of consideration shares arising from the acquisition of Trackwork.

CORPORATE DEVELOPMENT

On 14 March 2020, the Group announced the payment of interim dividend amounting to 0.5 sen per share in respect of FYE 2020.

On 28 July 2020, the Group, via its wholly-owned subsidiary DD Techniche Sdn Bhd announced that it had entered into a Memorandum of Understanding with Techkem Utilities Sdn Bhd to explore and finance water related projects.

On 15 October 2020, the Group, via its wholly owned subsidiary DD Techniche Sdn Bhd announced that it had entered into a Joint Venture Agreement with Techkem Utilities Sdn Bhd and Techkem Resources Sdn Bhd.

KEY RISKS

The Group's risk exposure of reliance on contracts is mitigated by having a diversified portfolio to generate a steady stream of income. We also have a balanced portfolio of government and private contracts.

The Group is also exposed to foreign exchange risks due to its international operations, namely the Singapore Dollar, the United State Dollar and United Arab Emirates Dirham. The volatility of these foreign currency affects both our revenue and costs incurred, where contracts outside Malaysia are in the respective foreign currencies. Further information on currency exposure is set out in Note 32(b)(iii) to the financial statements.

Analysis of other key financial risks such as liquidity risk, credit risk as well as capital risk management are discussed in Note 32(b) to the financial statements.

THE JOURNEY AHEAD

Underpinned by a strong orderbook of approximately RM916 million as of 30 June 2020, the Group is hopeful of delivering an improved performance in the upcoming year. Orderbook replenishment remains robust, exceeding RM250 million. The new contracts secured, and renewal of existing projects are expected to contribute positively to the future performance of the Group.

Of the RM559 million order book under the Facilities Division, RM374 million worth of jobs are under the Concession segment which will provide the Group with a stable and recurring income. It is worth to highlight the annual revenue from the Concession with Federal Government will be stepped up from RM52 million (2016 to 2020 period) to RM59 million for the remaining tenure of the Concession (2021 to 2025 period). Balance of RM184 million worth of contracts are for the Non-Concession segment with balance of tenures ranging from 2 to 3 years.

The Environment and Engineering Divisions have outstanding order book values of approximately RM173 million and RM124 million respectively which will be recognised over the next 3 to 4 years. The Rail Division has an orderbook of approximately RM60 million which will be recognised over a period of 2 to 3 years.

In terms of new strategy and ventures, the establishment of joint venture with Techkem Group of companies (Techkem) signifies a new milestone and a potential new source of income for the Group. The joint venture had secured its maiden contract relating to the supply and installation of mechanical and electrical works for Projek Rakyat Bekalan Air Kawasan Belaga Bahagian Kapit, Sarawak. This project and potentially other future projects will contribute positively to the earnings of the AWC Group as a whole. Opportunities are aplenty in the water infrastructure segment in Malaysia and the ASEAN region and this bodes well for the future of the Group, serving as an extension to its current offerings under the plumbing and rainwater harvesting segment of the Engineering Division.

Uncertainty lies ahead of us. Various challenges are expected to keep us on our toes. Every cloud has a silver lining, and at AWC Group, our team are well equipped to weather the crisis that is currently plaguing our country and the world. We remain positive to execute the projects on hand and to participate in new projects, to improve our performance and move forward from an extremely challenging period.

HUMAN RESOURCE CONSIDERATIONS

We continuously work towards securing the appropriate talent pool that will enable us to solidify our management team, both for the immediate and long-term future. This is done throughout all our three Divisions.

AWC launched its ESOS, with the first offer to employees on 6 November 2015 and subsequent Voffers periodically following the initial launch. With the continued improvement in AWC's share price since then, and with the strong order book in hand, we believe the ESOS is a good tool in garnering employee loyalty and commitment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of AWC Berhad ("AWC" or "the Company") recognises the importance of maintaining high standards of corporate governance for transparency, accountability, integrity and a well-managed company. The Board is committed towards ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its duties and responsibilities to enhance shareholders' value, consistent with the principles and best practices as set out in the Malaysian Code on Corporate Governance ("MCCG" or "the Code") and Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is pleased to present this Corporate Governance ("CG") Overview Statement to provide the shareholders and investors with an overview on the application of CG practices by the Group as set out in the MCCG for the financial year ended 30 June 2020 ("FYE 2020").

This CG Overview Statement should be read together with the Company's Corporate Governance Report for the FYE 2020 which is available on the Company's website at www.awc.com.my as well as via an announcement on the website of Bursa Securities.

A. BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

1. Board's Leadership on Objective and Goals

1.1 The Board is responsible for the leadership, oversight and long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board leads the performance of the Company, including practicing a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner as well as upholding the core values of the Company with due regard to their fiduciary duties and responsibilities.

In discharging its fiduciary duties and leadership functions, the Board is guided by the Board Charter, which outlines the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Group Chief Executive Officer/President. For the effective function of the Board, the Board has established the following Board Committees to assist in the execution of its responsibilities:-

a. Audit and Risk Management Committee ("ARMC");
b. Nomination and Remuneration Committee ("NRC"); and
c. Employees' Share Option Scheme Committee.

The Board Committees operate in accordance with its respective Terms of Reference as reviewed and approved by the Board. The Board Committees' Terms of Reference can be accessed via the Company's website, www.awc.com.my.

The Board has reserved a formal schedule of matters for its decision making to ensure that it retains full and effective control of the Group's strategic plans and direction. It has also exercised oversight on Management and set the appropriate tone at the top, while providing thought leadership and championing good governance and ethical practices throughout the Group.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. Board's Leadership on Objective and Goals (cont'd)

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board has, amongst others: –

- promoted good corporate governance culture within the Group which reinforces ethical, prudent and professional conduct;
- reviewed, challenged and decided on Management's proposals for the Group, and monitor its implementation;
- ensured that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- assessed Management performance;
- ensured there is a sound framework for internal controls and risk management;
- recognised the principal risks of the Group's business and that business decisions involve the taking of appropriate risks;
- set the risk appetite within which the Board expects Management to operate and ensured that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensured that Senior Management has the necessary skills and experience, and measures are in place to provide for the orderly succession of Board and senior management;
- ensured that the Group has in place procedures to enable effective communication with shareholders and stakeholders; and
- ensured the integrity of the Group's financial and non-financial reporting.

1.2 The Chairman of the Board, Dato' Nik Mod Amin Bin Nik Abd Majid, holds an Independent Non-Executive position and is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.

1.3 The position of the Chairman and Group Chief Executive Officer/President are held by two different individuals and each has a clear accepted division of responsibilities to ensure there is a balance of power and authority to promote accountability.

The Chairman is responsible for instilling good corporate governance practices and leadership, and for ensuring Board effectiveness, while the Group Chief Executive Officer/President has overall responsibilities over the day-to-day management of the Group's business and implementation of the Board's policies and decisions.

1.4 The Board is supported by a qualified and competent Company Secretary. The Company Secretary is a member of the Malaysian Association of Company Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. The Company Secretary possesses over 25 years of experience in corporate secretarial practices and is supported by a team of competent company secretarial personnel.

The Company Secretary attended the necessary training programmes, conferences or seminars organised by the Companies Commission of Malaysia, Bursa Securities and Securities Commission to keep herself abreast with the current regulatory changes in the laws and regulatory requirements that are relevant to her profession and to provide the necessary advisory role to the Board.

Overall, the Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her duties and functions.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. Board's Leadership on Objective and Goals (cont'd)

1.5 To facilitate the Directors' time planning, meetings calendar was prepared in advance of each new year by the Company Secretary. The meetings calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting ("AGM"). The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Company's quarterly results were also provided therein.

The Notice of meetings of the Board and Board Committees are sent to the Directors via email at least five (5) business days prior to the meetings. Meeting materials are also circulated to Directors at least five (5) business days in advance of the Board and Board Committees meetings to ensure they have been given sufficient time to prepare for the meetings. Management and other advisers are invited to attend the meetings to report and brief on their respective areas of responsibility, if required.

The deliberations and decision of matters discussed in the Board and Board Committees meetings are duly recorded in the minutes of meetings, including whether any Director abstains from voting or deliberating on a particular matter. The minutes of meetings are circulated to the respective Chairman of the Board and Board Committees in a timely manner for review before they are confirmed and adopted by members of the Board and Board Committees at their respective meetings. The Company Secretary also ensures that deliberations at Board and Board Committees meetings are well documented.

2. Demarcation of Responsibilities between the Board, Board Committees and the Management

The Board has formalised and adopted a Board Charter which clearly sets out the roles and responsibilities, composition and balance, operation and processes of the Board. It serves as a reference point for Board activities and is designed to provide guidance and clarity to Directors and Management with regards to the respective roles and responsibilities of the Board, Board Committees, Chairman and Group Chief Executive Officer/President, as well as issues and decisions reserved for the Board, the Board's governance structure and authority. This is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities, and the legislations and regulations affecting their conduct.

The Board Charter would be reviewed and updated on a regular basis so as to be in line with the latest statutory and regulatory requirements. The Board Charter was last reviewed, updated and approved by the Board on 29 May 2020 and is published on the Company's website at www.awc.com.my.

3. Good Business Conduct and Healthy Corporate Culture

3.1 The Board is committed to promote and maintaining high standards of transparency, accountability and ethics in the conduct of its business and operations. The Board has formalised ethical standards by establishing a Code of Ethics and Conduct for all Directors and employees of the Group, and the core areas of conduct include observing high standard of corporate governance, handling of conflict of interest, management of Group information and corporate disclosure, protection of legitimate business interests, and declaration of any personal or business interests.

The Board had on 29 May 2020 incorporated the anti-bribery and anti-corruption requirements to be observed by the Directors and employees of the Group under the Code of Ethics and Conduct.

The Code of Ethics and Conduct is incorporated in the Board Charter of the Company and published on the Company's website at www.awc.com.my.

The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group and will be reviewed by the Board regularly to ensure that it continues to remain relevant and appropriate.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

3. Good Business Conduct and Healthy Corporate Culture (cont'd)

3.2 The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. The Group has established the Whistle Blowing Policy that provide a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal acts observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger to health, safety or the environment, criminal activity and corruption. It also helps to nurture a good organisational culture with the Group and develop a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behavior creating an ethical corporate climate.

The Board had on 29 May 2020 reviewed and approved the relevant amendments in relation to the anti-corruption measures to the Whistle Blowing Policy.

The Whistle Blowing Policy is published on the Company's website at www.awc.com.my.

PART II - BOARD COMPOSITION

4. Board's Objectivity

4.1 Currently, the Board has five (5) members as set out in the table below, which comprises a majority of Independent Directors of the Board:-

	Names	Designation
1.	Dato' Nik Mod Amin Bin Nik Abd Majid	Independent Non-Executive Chairman
2.	Dato' Ahmad Kabeer Bin Mohamed Nagoor	Executive Director (Group Chief Executive Officer/ President)
3.	Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	Independent Non-Executive Director
4.	Dato' Ahri Bin Hashim	Independent Non-Executive Director
5.	Sureson A/L Krisnasamy	Independent Non-Executive Director

4.2 Presently, Dato' Nik Mod Amin Bin Nik Abd Majid is the Independent Director of the Company who has served the Board for a cumulative term of more than nine (9) years.

The NRC and the Board take cognizance that under the MCCG, if the Board wishes to retain Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Director of the Company, the Board should justify and seek shareholders' approval at the forthcoming Nineteenth AGM ("19th AGM") to be held on 25 November 2020.

The NRC and the Board have assessed the independency of Dato' Nik Mod Amin Bin Nik Abd Majid, and have recommended that he be retained as an Independent Director of the Company as he continues to devote sufficient time and attention to bring independent and objective judgement to Board deliberations and continues to meet the criteria for independence in discharging his roles and functions as an Independent Director of the Company pursuant to the MMLR.

The Board believes that with Dato' Nik Mod Amin Bin Nik Abd Majid's continued contribution, especially his invaluable knowledge of the Group gained through the years, will provide stability and benefits to the Board and the Company as a whole.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (cont'd)

4.3 The Company has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years. Notwithstanding that, the assessment of independence of the Independent Directors was conducted annually via annual evaluation to ensure they are independent from any business or other relationship which could interfere the interest of the Company.

The shareholders' approval was obtained at the Eighteenth AGM ("18th AGM") for the retention of Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Non-Executive Director.

4.4 The Board acknowledges the importance of Board and Senior Management composition diversity as recommended by the MCCG. In pursuing diversity agenda, the Directors and Senior Management are sourced from a diverse pool and recruited based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background, gender and contribution.

The NRC is responsible to consider and nominate new candidates for appointment and make the necessary recommendations to the Board for approval. In this respect, the role of the NRC is detailed in its Terms of Reference, which is accessible on the Company's website, www.awc.com.my.

The Board also via the NRC, reviews the correct mix of skills, business and professional experiences that should be added to the Board annually or as and when required.

The Company is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

4.5 In view of the gained attention of boardroom diversity as an important element of a well functioned organisation, the Board has established and adopted a Gender Diversity Policy on 28 August 2018 which provides a framework for the Company to improve its gender diversity at Board level.

The objectives/principles and measures as set out in the Gender Diversity policy are summarised and disclosed in the Corporate Governance Report for the FYE 2020.

Currently, there is a female Director on the Board, namely, Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj, and a female Senior Management, namely, Ms. Tan Ai Lee, the Chief Legal Officer.

4.6 The members of the Board are to be appointed in a formal and transparent practice as endorsed by the MCCG. The NRC will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the NRC will undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.

In searching for suitable candidates for appointment of Directors, the NRC may receive suggestions from existing Board members, Management and major shareholders. The NRC is also open to referrals from external sources available, such as industry and professional association, as well as independent search firms. The NRC is allowed to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (cont'd)

4.7 The Nomination Committee ("NC") and Remuneration Committee ("RC") have been merged as a single committee known as NRC with effect from 28 November 2019 which aimed to improve its efficiency and effectiveness in discharging its duties.

The NRC is chaired by Dato' Ahri Bin Hashim, an Independent Non-Executive Director of the Company. The NRC Chairman has led the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed and will lead the succession planning and appointment of future Board members.

The NRC comprises the following members, all being Non-Executive as identified by the Board:-

Name of Directors	Designation
Dato' Ahri Bin Hashim (Chairman)	Independent Non-Executive Director
Dato' Nik Mod Amin Bin Nik Abd Majid (Member)	Independent Non-Executive Chairman
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj (Member)	Independent Non-Executive Director
Sureson A/L Krisnasamy (Member)	Independent Non-Executive Director

The activities undertaken by the NRC during the FYE 2020 are as follows:-

(i) Carried out the assessment and rating of the performance of each Non-Executive Directors against the criteria as set out in the annual assessment form, amongst others, attendance at Board or Committee meetings, adequate preparation for Board and/or Committee meetings, regular contribution to Board or Committee meetings, personal input to the role and other contributions to the Board or Committees as a whole.

(ii) Carried out the assessment and rating of the performance of the Executive Directors against diverse key performance indicators, amongst others, financial, strategic, operations management and business plans, product development, conformance and compliance, shareholders'/investors' relations, employee training and development, succession planning and personal input to the role.

(iii) Assessed and evaluated the independence of the Independent Directors.

(iv) Assessed the performance of the Audit and Risk Management Committee.

(v) Considered and recommended to the Board for consideration, the re-election of Dato' Ahmad Kabeer Bin Mohamed Nagoor and Mr. Sureson A/L Krisnasamy, who were due for retirement at the 18th AGM held on 28 November 2019.

(vi) Reviewed and evaluated the independence of Independent Director who has served the Board for a cumulative term of more than nine (9) years and recommended to the Board the retention of Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Non-Executive Director.

(vii) Reviewed the Terms of Reference of the NC.

In accordance with the Company's Constitution, at least one-third (1/3) of the Directors are required to retire from office by rotation annually and shall be eligible for re-election at each AGM. All Directors appointed by the Board shall also be subject to re-election by the shareholders at the AGM following their appointment.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

5.0 Overall Effectiveness of the Board and Individual Directors

5.1 The Board has, through the NRC, conducted annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director in the FYE 2020. The process was carried out by sending the following customised assessment forms to Directors:-

i. Performance of Group Chief Executive Officer/President;
ii. Performance of Non-Executive Directors;
iii. Independence of the Independent Directors;
iv. Performance of the ARMC; and
v. Effectiveness of the Board and Board Committees as a whole.

The assessment criteria that based on the Key Performance Indicators covers the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.

5.2 Attendance of Board and Board Committees' Meetings

The Board schedules at least four (4) meetings in a financial year with additional meetings to be convened where necessary. During the FYE 2020, the Board had conducted four (4) Board meetings where they deliberated and approved various reports and matters, including the quarterly financial results of the Group for the announcement to Bursa Securities as well as discussed on the business plans and strategies, major investments, strategic decisions as well as the Group's financial performance.

The number of meetings held and attended by each member of the Board and Board Committees during the FYE 2020 are as follows:

Type of Meetings / Name of Directors	Board of Directors	ARMC	NC*	RC*
	No. of Meetings Attended			
Dato' Nik Mod Amin Bin Nik Abd Majid	4/4	4/4	–	2/2
Dato' Ahmad Kabeer Bin Mohamed Nagoor	4/4	–	–	–
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	3/4	–	1/1	2/2
Dato' Ahri Bin Hashim	4/4	4/4	1/1	2/2
Sureson A/L Krisnasamy	4/4	4/4	1/1	–

* *NC and RC have been merged into single committee known as NRC with effect from 28 November 2019 and subsequently there is no NRC meeting held for the FYE 2020.*

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

5.0 Overall Effectiveness of the Board and Individual Directors (cont'd)

5.3 Directors' Trainings

The Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. The Board will assess the training needs of the Directors and ensure Directors have access to continuing education programme to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry which the Group operates.

During the FYE 2020, all Directors had attended the following training programmes in compliance with Paragraph 15.08 of the MMLR of Bursa Securities: -

Name of Directors	Title of Seminars/Training attended
Dato' Nik Mod Amin Bin Nik Abd Majid	• Corporate Liability on Corruption under Malaysian Anti-Corruption Act 2009 ("MACC Act 2009") (Amended 2018).
Dato' Ahmad Kabeer Bin Mohamed Nagoor	• Corporate Liability on Corruption under MACC Act 2009 (Amended 2018).
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	• Awareness of ISO 37001:2016 (Anti Bribery Management System).
Dato' Ahri Bin Hashim	• Corporate Liability on Corruption under MACC Act 2009 (Amended 2018).
Sureson A/L Krisnasamy	• Corporate Liability on Corruption under MACC Act 2009 (Amended 2018).

The Directors will continue to undergo annually other relevant training programmes, courses, talks, conferences and seminars to keep abreast of relevant changes in laws and regulations, development in the industry in order to further enhance their skills and knowledge.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION

6. Level and Composition of Remuneration

6.1 In view that fair remuneration is crucial to attract, retain and motivate Directors and Senior Management, the Remuneration Policy was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management.

The Remuneration Policy is available for reference on the Company's website at www.awc.com.my.

The tables below set out the main components and operation of the remuneration structure packages of Directors and Senior Management of the Company:-

(I) Remuneration structure for the Senior Management and/or Directors who hold an Executive role in the Company

Component of pay	Particulars
Base Salary	A fixed salary will be paid for performing the scope of duties and responsibilities and will be reviewed based on the individual performance and achievements of the Company/the Group and comparable market rate within the industry.
Bonus	Annual bonus will be paid to reward, retain and motivate the individual and will depend on the performance of the Company/the Group and the personal contribution of the individual to the achievement of those results.
Other Benefits	Other benefits which include contribution of EPF, SOCSO, medical fees, medical or health insurance, company car, handphone, travelling and entertainment claims, amongst others, shall be provided based on the Group's human resource policy in the context of market practices from time to time.

(II) Remuneration structure for the Directors who hold a Non-Executive role in the Company

Component of pay	Particulars
Fees	A fixed retainer sum shall be paid for their contribution to the Board and the Company. The fixed fee is determined based on the following factors: • On par with the rest of the market; • Reflect the qualifications and contribution required in view of the Group's complexity; • The extent of the duty and responsibilities; and • The number of Board meetings and Board Committees' meetings
Meeting allowance and other benefits	A reasonable fixed meeting allowance will be paid on per trip basis with the condition that attendance is a prerequisite for such remittance. Other benefits which include flight tickets, accommodation, travelling expenses, amongst others, incurred in the course of performing his duties or other things required of him as a Director of the Company.

The remuneration policy will be reviewed by the Board from time to time and the Board may make any necessary amendments to the policy to ensure it remains consistent and relevant with the Board's objectives, current laws and practices.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

6. Level and Composition of Remuneration (cont'd)

6.2 The Board, assisted by the NRC, implements the policy and procedures on the remuneration, which includes reviewing and recommending the proposed remuneration packages of the Directors of the Company. The NRC seeks to ensure that the remuneration packages commensurate with the expected responsibility and contribution by the Directors and link to the strategic objectives of the Company.

The NRC has a detailed Terms of Reference in writing which is accessible on the Company's website at www.awc.com.my.

7.0 Remuneration of Directors and Senior Management

7.1 The Directors' fees and benefits of the Company are subject to the approval of shareholders of the Company. The remuneration of the individual Director of the Company for the FYE 2020 is as follows:-

The Company

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM
Executive Director						
Dato' Ahmad Kabeer Bin Mohamed Nagoor	–	–	–	–	–	–
Non-Executive Directors						
Dato' Nik Mod Amin Bin Nik Abd Majid	10,000	–	–	–	–	–
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	–	–	2,000	–	–
Dato' Ahri Bin Hashim	48,000	–	–	3,000	–	–
Sureson A/L Krisnasamy	48,000	–	–	3,000	–	–
Total	**154,000**	–	–	**8,000**	–	–

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

7.0 Remuneration of Directors and Senior Management (cont'd)

The Group

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM
Executive Director						
Dato' Ahmad Kabeer Bin Mohamed Nagoor	–	1,800,000	74,954	–	1,200,000	480,000
Non-Executive Directors						
Dato' Nik Mod Amin Bin Nik Abd Majid	120,000	–	–	3,000	–	–
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	–	–	2,000	–	–
Dato' Ahri Bin Hashim	48,000	–	–	3,000	–	–
Sureson A/L Krisnasamy	48,000	–	–	3,000	–	–
Total	**264,000**	**1,800,000**	**74,954**	**11,000**	**1,200,000**	**480,000**

The Board determines the fees and benefits of all Directors, including the Non-Executive Directors. The Director's fees are endorsed by the Board for approval by the shareholders of the Company at the AGM. Directors do not participate in the decisions regarding their own fees, benefits and/or remuneration packages.

7.2 The remuneration of the Senior Management of the Company is as follows:-

Range of Remuneration*	No. of Senior Management Officer
RM250,001 to RM300,000	2
RM450,001 to RM500,000	1
RM500,001 to RM550,000	–
RM550,001 to RM600,000	1
RM600,001 to RM650,000	2
RM650,001 to RM700,000	–
RM700,001 to RM750,000	1
RM750,001 to RM3,600,000	1

* *Successive bands of RM300,001 to RM450,000 is not shown entirely as they are not represented.*

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III – REMUNERATION (CONT'D)

7.0 Remuneration of Directors and Senior Management (cont'd)

Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on named basis in the bands of RM50,000.

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - ARMC

8.0 Effective and Independent ARMC

The ARMC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The ARMC also undertakes to provide oversight on the risk management framework of the Group.

The ARMC is chaired by the Independent Non-Executive Director, Mr. Sureson A/L Krisnasamy ("Mr. Sureson") who is distinct from the Chairman of the Board. All members of the ARMC are financially literate and possess the necessary skills and knowledge to discharge their duties, whilst the Chairman of the ARMC is a member of the Malaysian Institute of Accountants. The term of office and performance of ARMC and its members are reviewed by the NRC annually to determine whether such ARMC and members have carried out their duties in accordance with the terms of reference.

Mr. Sureson is responsible to ensure the overall effectiveness and independence of the ARMC. Together with other members of the ARMC, Mr. Sureson has ensured amongst others that:-

a. the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and these matters are addressed;

b. the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;

c. the ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the External Auditors; and

d. there is co-ordination between Internal and External Auditors.

The ARMC will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the ARMC was a former key audit partner. Currently, none of the members of the ARMC is a former key audit partner.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I - ARMC (CONT'D)

8.0 Effective and Independent ARMC (cont'd)

The ARMC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to the independence of the External Auditors. The Board has established the Internal and External Auditors Assessment Policy together with Annual Performance Evaluation Form respectively. The said Policy aims to outline the guidelines and procedures for ARMC to review, assess and monitor the performance, suitability and independence of the Internal and External Auditors respectively.

The Board, having considered the ARMC's recommendation and feedback, was satisfied with the suitability and independence of the External Auditors and has recommended their re-appointment to the shareholders for approval at the 19th AGM.

PART II - RISK MANAGEMENT AND INTERNAL CONTROL

9. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility of maintaining a sound system of risk management and internal control, and of reviewing its adequacy and effectiveness. The Company has adopted a Registry of Risk and the Risk Management Handbook to identify, evaluate, control and monitor the principal business risks faced by the Group on an on-going basis in order to safeguard shareholders' investment and the Group's assets. The risk management and internal control are embedded in various work processes and procedures of the respective operational functions and management team.

The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control systems to the ARMC.

Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of the framework, are disclosed in the Statement on Risk Management and Internal Control in the Annual Report 2020.

10. Effective Governance, Risk Management and Internal Control Framework

The internal audit function is outsourced to an independent professional service firm that assists the ARMC in managing the risks and establishment of the internal control system and processes of the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. The Internal Auditors reports directly to the ARMC.

To ensure that the responsibilities of Internal Auditors are fully discharged, the ARMC evaluates the performance of the Internal Auditors for the FYE 2020 based on the following evaluation criteria as set out in the Internal Auditors' Annual Assessment Form:-

a. Adequacy of resources and experience of the internal audit firm;
b. Quality processes of the internal audit firm;
c. Competency of the engagement team;
d. Governance and independence;
e. Internal audit fee, scope and planning; and
f. Internal audit reports and communications.

The ARMC concluded its assessment that the Internal Auditors have sufficient experience and resources to satisfy their terms of reference and adequately deliver the quality services to the Group.

The Internal Auditors have and will continue to keep abreast with developments in the profession, relevant industry and regulations.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART II - RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

10. Effective Governance, Risk Management and Internal Control Framework (cont'd)

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively.

Further details of the internal audit function and activities are set out in the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report in the Annual Report 2020.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication between Company and Stakeholders

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.

The Board is guided by Bursa Securities' Corporate Disclosure Guide as published by Bursa Securities in deciding on the necessary disclosures and announcements from time to time. The Company communicates regularly with the public by releasing its announcements, quarterly reports, annual reports and circular at Bursa Securities' website at www.bursamalaysia.com or the Company's website at www.awc.com.my.

The Company's corporate website at www.awc.com.my serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news, events and announcements to Bursa Securities relating to the Company. Shareholders may also communicate with the Company on investor relation matters by contacting investor relation person-in-charge as stated on its website.

The Board has also put in place a Corporate Disclosure Policy to promote comprehensive, accurate and timely disclosure pertaining to the Group's matters to regulators, its shareholders and stakeholders.

PART II – CONDUCT OF GENERAL MEETINGS

12. Shareholders' Participation at General Meetings

The Company's AGM remains a principal forum used by the Company for dialogue with its shareholders. The AGM provides an opportunity for the shareholders to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group. The Board, Senior Management and the External Auditors will be present to answer and provide appropriate clarifications to the shareholders at the AGM.

The notice of the 18th AGM of the Company was given to the shareholders at least twenty-eight (28) days before the AGM which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. For the notice of the coming 19th AGM of the Company which is scheduled to be held on 25 November 2020 will be sent to the shareholders at least twenty-eight (28) days before the date of AGM this year as well.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II – CONDUCT OF GENERAL MEETINGS (CONT'D)

12. Shareholders' Participation at General Meetings (cont'd)

During the proceedings of the 18th AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group's strategy or developments in the Group. All questions raised by the shareholders were answered and addressed accordingly.

All the Directors of the Company will always endeavour to attend all general meetings and the Chairman of the Board committees will provide meaningful response to questions addressed to them.

All the Directors of the Company were present at the 18th AGM of the Company held on 28 November 2019.

STATEMENT OF COMPLIANCE

The Company shall continue to strive for high standards of corporate governance throughout the Group, and the highest level of integrity and ethical standards in all of its business dealings.

The Company has in all material aspects satisfactory complied with the principles and practices set out in the Code, except for the departures set out in the Corporate Governance Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

A. OBJECTIVES

The Audit and Risk Management Committee ("ARMC" or "the Committee") was established with the primary objective of providing additional assurance to the Board of Directors ("the Board") in respect of all financial matters. This is done by giving an objective and independent review of financial, operational and administrative controls and procedures, including establishing and maintaining internal controls. This helps to reinforce the independence of the Company's External Auditors, thereby ensuring that they have free reign in the audit process.

B. MEMBERS

The current members of the ARMC are as follows:-

Members	Designation
Sureson A/L Krisnasamy (Chairman)	Independent Non-Executive Director
Dato' Nik Mod Amin Bin Nik Abd Majid (Member)	Independent Non-Executive Chairman
Dato' Ahri Bin Hashim (Member)	Independent Non-Executive Director

The Company has complied with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which requires all members of the Committee to be Non-Executive Directors with a majority of them being Independent Directors. As shown above, all members of the Committee are Independent Directors.

The Terms of Reference of the ARMC can be accessed from the corporate website of the Company at www.awc.com.my.

C. SUMMARY OF WORKS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

During the financial year under review, the Committee held a total of four (4) meetings and the attendance of each of the Committee members at meetings are as follows:-

Committee Members	No. of Meetings Attended
Sureson A/L Krisnasamy, Chairman	4/4
Dato' Nik Mod Amin Bin Nik Abd Majid, Member	4/4
Dato' Ahri Bin Hashim, Member	4/4

The presence of the External Auditors and/or the Internal Auditors at the Committee meetings can be requested if required by the Committee. Other members of the Board and officers of the Company and the Group may attend the meeting (specific to the relevant meeting and to the matters being discussed) upon the invitation of the Committee.

C. SUMMARY OF WORKS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

The summary of the works undertaken by the Committee for the financial year ended 30 June 2020, amongst others, included the following:-

i. In overseeing the Company's financial reporting, reviewed the four (4) quarterly financial results and annual audited financial statements of the Group and the Company including the announcements pertaining thereto. Discussion focused particularly on any change in accounting policies and practices, significant adjustments arising from the audit and compliance with accounting standards and other legal requirements before recommending to the Board for approval and release of the announcements to Bursa Securities;

ii. Reviewed with the External Auditors, the audit plan and scope of the statutory audit of the Company's financial statements for the financial year ended 30 June 2020 before the audit commenced to ensure that the scope of the external audit is comprehensive;

iii. Reviewed the annual audited financial statements of the Company and the Group;

iv. Considered and recommended the re-appointment of Baker Tilly Monteiro Heng PLT as the External Auditors and their audit fee to the Board for consideration based on the competency, efficiency and transparency as demonstrated by the Auditors during their audit;

v. Reviewed with the Internal Auditor, the internal audit plan to ensure the adequacy of the scope, functions and resources and that it has the necessary authority to carry out its work;

vi. Reviewed with the Internal Auditor, the Anti-Bribery Management System Assessment of the Group;

vii. Reviewed the reports for the internal audit function and considered the findings of internal audit investigations and management responses thereon, and ensure that appropriate actions are taken on the recommendations raised by the Internal Auditors;

viii. Reviewed if there were any related party transactions and/or recurrent related party transactions that transpired within the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms;

ix. Reviewed the Audit and Risk Management Committee Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control as well as Additional Compliance Information to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report;

x. Self-appraised the performance of the Committee for the financial year ended 30 June 2020 and submit the evaluation to the Nomination and Remuneration Committee for assessment;

xi. Evaluated the performance of the External and Internal Auditors for the financial year ended 30 June 2020;

xii. Reviewed and recommended to the Board on the revised Terms of Reference of ARMC;

xiii. Reviewed and discussed on the updated Enterprise Risk Management Register/Registry of Risk Report for the Group; and

xiv. Reviewed the verification of the options granted under the Employees' Share Option Scheme of the Company for the financial year ended 30 June 2020.

D. INTERNAL CONTROL REVIEW AND INTERNAL AUDIT ("IA") FUNCTION

i. Appointment

The Group has appointed an outsourced IA service provider to carry out the IA function, namely Sterling Business Alignment Consulting Sdn Bhd ("Sterling"). The outsourced Internal Auditors report directly to the Committee, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the Internal Audit function. The purpose of the IA function is to provide the Board, through the Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

ii. IA Activities

The IA reporting can broadly be segregated into three (3) main areas as follow:-

a. IA Plan for the Group

At the beginning of the financial year, the IA Plan for the Group is presented to the Committee by Sterling for discussion and approval. The Committee would then recommend the same to the Board of Directors for adoption.

b. Regular IA Reports

IA reports are reviewed and adopted by the Committee on a quarterly basis. During the financial year, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

c. Follow-up Reports

In addition, the Internal Auditors followed-up on the implementation of recommendations from prior IA visits and updated the Committee on the status of Management-agreed action plans.

iii. Total Costs Incurred For The Financial Year

The total costs incurred for the IA function of the Group for the financial year ended 30 June 2020 was **RM54,767**.

iv. Review of IA Function

For the financial year ended 30 June 2020, the Committee noted that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of AWC Berhad ("the Company") is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 30 June 2020 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD RESPONSIBILITY

The Board affirms its responsibilities for maintaining a sound internal control system for the Group to safeguard shareholders' investments and the Group's assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate systems to manage these risks in accordance with the best practices of the Malaysian Code on Corporate Governance.

However, due to the limitations that are inherent in any system of internal control, the Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve corporate and business objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatements, losses or fraud.

RISK MANAGEMENT FRAMEWORK

The Board resolves that the management of core risks is an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group's objectives.

The Board confirms that there is an on-going process of identifying, assessing and responding to risks for achieving the objectives of the Group for the financial year under review. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

As part of the risk management process, a Registry of Risk and a Risk Management Handbook were adopted. The Registry of Risk is maintained to identify principal business risks including Corporate Liabilities Risk and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The respective risk owners are accountable to identify risks and to ensure that adequate internal control systems are implemented to mitigate the risks faced by the Group. The process of identifying, evaluating, monitoring and managing risks is embedded in various work processes and procedures of the respective operational functions and management team.

THE INTERNAL AUDIT FUNCTION

The internal audit function had been outsourced to Sterling Business Alignment Consulting Sdn Bhd ("the Internal Auditors"), a third-party professional internal audit service firm which is independent of the operations and activities of the Group. The Internal Auditors is also independent of the Board and management, and reports directly to the Audit and Risk Management Committee ("ARMC"). In discharging its obligations and duties pursuant to its appointment, the Internal Auditors undertakes rigorous, objective, independent and systematic reviews of the systems of internal control. Following the assessment, the Internal Auditors provide reasonable and continuous assurance on the satisfactory operations and effectiveness of the Group's system of internal controls. The purpose of the comprehensive process is to identify existing shortcomings and potential pitfalls which would eventually be brought to the attention of the Board and rectification measures would be proposed and recommended.

THE INTERNAL AUDIT FUNCTION (CONT'D)

The Internal Auditors submits its reports to the ARMC every quarter and the findings are tabled at the corresponding quarterly meetings. Issues arising thereto and shortfalls in internal controls are reviewed, deliberated at length and acted upon by the ARMC for remedial action. Where necessary, affirmative steps and measures will be introduced and initiated to address, mitigate, manage and arrest identified risks. Current internal control measures will also be further strengthened with compensating controls and appropriate check and balance mechanism, if required. Internal audit schedule and timetable for subsequent periods are tabled in the ARMC, outlining the entities which will be subject to the next internal audit exercise and the framework of the internal audit plan. Core internal audit scope and critical areas are also emphasised while internal audit issues highlighted in the preceding internal audit reports together with the progress and updates of the corresponding follow up works are also considered at length.

For the financial year ended 30 June 2020, three (3) internal audit reviews, four (4) follow up reviews and one (1) Anti-Bribery Management System Assessment had been carried out by the Internal Auditors:-

Financial Reporting Quarter	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (July 2019 – Sept 2019)	Nov 2019	Facilities Division • Ambang Wira Sdn Bhd	Internal Audit Review • Operation (Contract Management) Follow-up actions on previously reported audit findings.
2nd Quarter (Oct 2019 – Dec 2019)	Feb 2020	Engineering Division • Qudotech Sdn Bhd	Internal Audit Review • Project Management • Accounts and Finance Follow-up actions on previously reported audit findings.
3rd Quarter (Jan 2020 – March 2020)	May 2020	• AWC Berhad • Ambang Wira Sdn Bhd • Stream Environment Sdn Bhd • Qudotech Sdn Bhd • M&C Engineering and Trading Sdn Bhd	Anti-Bribery Management System Assessment Follow-up actions on previously reported audit findings.
4th Quarter (Apr 2020 – June 2020)	Aug 2020	Railway Division • Trackwork & Supplies Sdn Bhd	Internal Audit Review • Project Management • Purchasing • Accounts and Finance Follow-up actions on previously reported audit findings.

OTHER KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The following are the key elements of the Group's current internal controls:

- **Independence of the ARMC**

  The ARMC comprises wholly of independent and non-executive directors from various backgrounds and qualifications who bring a vast amount of commercial experience, technical expertise, industry insight and business knowledge. The ARMC also enjoys full and unrestricted access to both the external and internal auditors. The ARMC assesses the adequacy and effectiveness of enacted internal control procedures during the financial year. The ARMC reviews the internal control issues identified and highlighted by the Internal Auditors, External Auditors and occasionally by the management team in their quarterly reports. The internal audit reviews conducted revealed that none of the weaknesses or shortfall noted has resulted and/or give rise to any material losses, contingencies and/or uncertainties that would require a separate disclosure in this annual report. A detailed review of the activities of the ARMC over the course of the financial year is set out in the ARMC Report.

- **Clearly defined organisational structure**

  The organisational structure of the Group is well-defined with appropriate terms of reference, job functions and description in place for the Group Chief Executive Officer/President, Executive Directors and other senior management staff of the Group. Organisational charts, job bands and reporting lines within the Group are clearly set out with regular feedback and formal communication between individual subsidiaries and senior management staff at the holding company.

  In addition to the ARMC, the Board is also supported by several Board level committees in discharging its duties.

- **Clearly defined policies and procedures and authority limits**

  The terms of references, responsibilities and authority limits of the various committees, the Group Chief Executive Officer/President, Executive Directors and other senior management staff of the Group are clearly defined to achieve an effective check and balance, promote accountability, transparency, responsibility, operational efficiency and good corporate governance.

  These terms of references, responsibilities and authority limits are formally documented in official documents such as the Group Authority Manual, Procurement Manual, AWC Employee Handbook and various Standard Operating Procedures and Guidelines.

- **Performance review**

  The Board emphasises on reporting of financial results and operational performance at timely intervals to ensure subsistence of managerial controls and consistent exercise of performance review processes. Systems are also in place within the Group to facilitate output of materially accurate and timely financial data. The systems also accommodate production of relevant reports for measurement of performance against prescribed targets and post-mortem reviews of key result areas as well as supporting benchmarking processes for upcoming years. Budgets and management reports of subsidiaries are reviewed by the senior management team and are thereafter tabled to the Board for consideration, comments, corrective inputs and adoption.

- **Reviews by External Auditors**

  As required by Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed under limited assurance engagement in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

  Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from the Group Chief Executive Officer/President and Chief Financial Officer that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material losses to the Group as a whole. The Group will continue to take measures to strengthen the internal control and risk management environment.

This Statement is made in accordance with the resolution of the Board of Directors dated 16 October 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In connection with the preparation of the annual audited financial statements of the Company and of the Group, the Board of Directors of the Company are required to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2020 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements for the financial year ended 30 June 2020, the Board has taken the following measures: -

- The Group and the Company have applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards in Malaysia;
- made judgments and estimates that are prudent and reasonable; and
- used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring adequacy of accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have general responsibilities for taking reasonable steps towards safeguarding the assets of the Group, and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

The Company did not raise funds through any corporate exercise during the financial year ended 30 June 2020 ("FYE 2020").

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/payable to the External Auditors by the Company and the Group for the FYE 2020 are as follows:-

	Company RM	Group RM
Audit Fee	75,000	418,085
Non-Audit Fee	10,000	25,000

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

There was no material contract entered into by the Company and/or its subsidiaries, involving directors and/or major shareholders' interest during the financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS

The list of recurrent related party transactions of a revenue or trading nature entered into by the Group is disclosed in Note 34 to the financial statements. For the FYE 2020, no shareholder mandate was required for the recurrent related party transactions of a revenue or trading nature entered into by the Group pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

5. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company for eligible Directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries) ("Group") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 1 October 2015. The ESOS is for a duration of five (5) years commencing from the date of implementation of the ESOS on 9 October 2015 and expiring on 8 October 2020. The Company had on 25 February 2020 announced to extend its existing ESOS which is expiring on 8 October 2020 for another five (5) years until 8 October 2025, in accordance with the terms of the ESOS By-Laws.

The aggregate maximum allocation of ESOS to Directors and Senior Management of the Group shall not exceed 70% of the total number of new ordinary shares of in AWC Berhad to be issued under ESOS.

There were 4,185,000 options granted under ESOS during the FYE 2020.

The actual allocation of ESOS to Directors and Senior Management since the commencement of the ESOS is 44%.

5. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

Details of the ESOS of the Company as at 30 June 2020 are as follows:-

	Total Granted to Eligible Employees and Directors	Directors
Total number of options granted at exercise price of		
- 23.7 sen	4,185,000	1,050,000
- 33.6 sen	23,442,100	4,700,000
- 42.3 sen	5,709,000	–
- 72.3 sen	5,367,000	–
- 72.8 sen	480,000	–
- 75.1 sen	900,000	900,000
Total number of options exercised at exercise price of		
- 23.7 sen	100,000	–
- 33.6 sen	16,810,486	3,400,000
- 42.3 sen	2,999,712	–
- 72.3 sen	450,150	–
- 72.8 sen	–	–
- 75.1 sen	100,000	100,000
Total number of options lapsed	7,533,220	120,000
Total number of options outstanding	12,089,532	1,950,000

There were no options under the ESOS granted to the Non-Executive Director of the Company during the FYE 2020. The numbers of options exercised by the Non-Executive Directors of the Company during the FYE 2020 are as follows: -

Non-Executive Directors	Amount of options granted as at 1 July 2019	Amount of options exercised as at 30 June 2020
Dato' Nik Mod Amin Bin Nik Abd Majid	500,000	(400,000)
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	300,000	(100,000)
Dato' Ahri Bin Hashim	300,000	–
Sureson A/L Krisnasamy	300,000	–

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year, net of tax	(15,289,847)	(28,514,573)
Attributable to:		
Owners of the Company	(18,768,920)	(28,514,573)
Non-controlling interests	3,479,073	–
	(15,289,847)	(28,514,573)

DIVIDENDS

The amounts of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single-tier final dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2019, paid on 31 December 2019	2,944,171
Single-tier interim dividend of 0.50 sen per ordinary share for the financial year ended 30 June 2020, paid on 3 April 2020	1,477,897
	4,422,068

The directors do not recommend the payment of any final dividend in respect of the financial year ended 30 June 2020.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those as disclosed in the financial statements; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 2,780,540 new ordinary shares for cash pursuant to the exercise of the Company's Employees' Share Option Scheme ("ESOS") at exercise prices between RM0.237 to RM0.423 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of debentures was made by the Company.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirements of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company repurchased 1,301,900 of its issued ordinary shares from the open market on Bursa Malaysia Securities Berhad. The average price paid for the shares repurchased was approximately RM0.33 per share including transaction costs.

As at 30 June 2020, the Company held 4,628,700 treasury shares out of its 299,084,621 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,287,081. There was no resale, cancellation or distribution of treasury shares during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employees' Share Option Scheme ("ESOS") and warrants.

ESOS

At an Extraordinary General Meeting held on 1 October 2015, the Company's shareholders approved the establishment of an ESOS for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees of the Group.

On 25 February 2020, the Company extended its existing ESOS which is expiring on 8 October 2020 for another five (5) years until 8 October 2025, in accordance with the terms of the ESOS By-Laws. The extension is not subject to the approval from Bursa Malaysia Securities Berhad, Securities Commission and shareholders of the Company.

The salient features and other details of the ESOS are disclosed in Note 20(d) to the financial statements.

ESOS (CONT'D)

The movements in the number of share options pursuant to the ESOS during the financial year are as follows:

		Number of options over ordinary shares				
Grant date	**Exercise price**	**At 1 July 2019**	**Granted**	**Exercised**	**Lapsed**	**At 30 June 2020**
2 November 2015	33.6 sen	5,539,634	–	(2,322,940)	(385,200)	2,831,494
15 April 2016	42.3 sen	2,064,488	–	(357,600)	(318,700)	1,388,188
26 February 2018	72.3 sen	3,782,850	–	–	(978,000)	2,804,850
22 March 2018	72.8 sen	480,000	–	–	(300,000)	180,000
26 September 2018	75.1 sen	800,000	–	–	–	800,000
31 March 2020	23.7 sen	–	4,185,000	(100,000)	–	4,085,000
		12,666,972	4,185,000	(2,780,540)	(1,981,900)	12,089,532

WARRANTS

On 2 January 2019, a total of 56,824,679 free warrants were allotted and listed on the Main Market of Bursa Securities under a deed poll dated 6 December 2018.

The salient terms of Warrants are disclosed in Note 20(e) to the financial statements.

The movement in the Company's warrants during the financial year is as follows:

	Number of warrants				
	At 1 July 2019	**Allotment**	**Exercised**	**Lapsed**	**At 30 June 2020**
Warrants	56,824,679	–	–	–	56,824,679

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Nik Mod Amin bin Nik Abd Majid *
Dato' Ahmad Kabeer bin Mohamed Nagoor *
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj *
Dato' Ahri bin Hashim *
Sureson A/L Krisnasamy

* Directors of the Company and certain subsidiaries

DIRECTORS (CONT'D)

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Syed Hussian bin Syed Junid	
Datin Dr. Wahida binti Abdul Rahman	
Ahmad Nazim bin Ahmad Kabeer	
Azman bin Tambi Chik	(Resigned on 9 October 2019)
Chang Leong Hao	
Chea Thean Teik	(Alternate director to Sri Skanda Rajah A/L S. Ratnam)
Chee Kar Ming	
Divesh Navinchandra Sheth	
Gan Geok Soon	
Goh Tse Woei	
Indralingam A/L Subramaniam	
Khathir Sulaiman bin Abdullah	
Koh Kwee Fook	(Alternate director to Gan Geok Soon)
Kong Keat Voon	
Md Ezaime Arif bin Md Eusofe	(Appointed on 19 June 2020)
Mohan Kumar A/L Ravindranathan	(Resigned on 2 January 2020)
Mohd Faizul Shazrin bin Shukor	(Appointed on 9 October 2019)
Mohd Hisham bin Haja Najmuddeen	(Appointed on 19 June 2020)
Muzamil Mirza bin Mahmood Mirza	
Nik Adnan bin Nik Mohd Salleh	
Nik Khairulanuar bin Nik Sin @ N.Hussein	
Noreen Khairani binti Ahmad Osmani	
Nurhidayah binti Jamaludin	
Sri Skanda Rajah A/L S. Ratnam	
Tan Siew Kheng	(Appointed on 2 January 2020)
Voon Siew Moon	
Zuraini binti Aman	

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 July 2019	**Exercise of ESOS/ Bought**	**Sold**	**At 30 June 2020**
Interest in the Company				
Direct interests:				
Dato' Nik Mod Amin bin Nik Abd Majid	400,000	–	–	400,000
Dato' Ahmad Kabeer bin Mohamed Nagoor	14,675,000	4,000,000	–	18,675,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	100,000	–	–	100,000
Sureson A/L Krisnasamy	–	200,000	(135,000)	65,000
Indirect interest:				
Dato' Ahmad Kabeer bin Mohamed Nagoor ^	82,750,000	1,550,000	–	84,300,000

^ Shares held through a company in which the director has substantial financial interests.

DIRECTORS' INTERESTS (CONT'D)

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows (cont'd):

	Number of options over ordinary shares under ESOS			
	At 1 July 2019	**Granted**	**Exercised**	**At 30 June 2020**
Interest in the Company				
Direct interests:				
Dato' Nik Mod Amin bin Nik Abd Majid	100,000	–	–	100,000
Dato' Ahmad Kabeer bin Mohamed Nagoor	600,000	1,050,000	(600,000)	1,050,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	200,000	–	–	200,000
Dato' Ahri bin Hashim	300,000	–	–	300,000
Sureson A/L Krisnasamy	300,000	–	–	300,000

	Number of Warrants Issued Pursuant To the Deed Poll dated 6 December 2018 exercisable at any time from 26.12.2021 to 25.12.2023			
	At 1 July 2019	**Alloted**	**Exercised**	**At 30 June 2020**
The Company				
Direct interests:				
Dato' Ahmad Kabeer bin Mohamed Nagoor	2,651,000	–	–	2,651,000
Dato' Nik Mod Amin bin Nik Abd Majid	80,000	–	–	80,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	20,000	–	–	20,000
Indirect interest:				
Dato' Ahmad Kabeer bin Mohamed Nagoor	16,549,999	–	–	16,549,999

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Ahmad Kabeer bin Mohamed Nagoor is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 27 and 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

The auditors' reports on the financial statements of the Company's subsidiaries did not contain any qualification.

SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

Details of significant event during and subsequent to the financial year end are disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 27 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

…………………………………………………………………………
DATO' NIK MOD AMIN BIN NIK ABD MAJID
Director

…………………………………………………………………………
DATO' AHMAD KABEER BIN MOHAMED NAGOOR
Director

Date: 16 October 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	12,234,504	17,022,387	66,339	27,560
Right-of-use assets	6	5,308,722	–	–	–
Investment properties	7	5,190,206	4,590,206	–	–
Intangible assets	8	41,710,741	56,505,951	–	–
Investment in subsidiaries	9	–	–	108,691,688	144,833,063
Investment in an associate	10	157,482	181,505	–	–
Deferred tax assets	11	2,773,964	3,916,822	–	–
Total non-current assets		67,375,619	82,216,871	108,758,027	144,860,623
Current assets					
Inventories	12	26,986,255	17,689,544	–	–
Current tax assets		4,224,421	2,958,263	–	–
Trade and other receivables	13	109,904,519	130,369,778	2,331,614	3,438,414
Contract assets	14	59,025,723	67,950,298	–	–
Amount due from subsidiaries	15	–	–	5,323,668	2,900,440
Short-term investments	16	18,940,524	11,513,864	339,305	412,894
Cash and short-term deposits	17	67,720,267	66,529,072	560,316	1,521,389
Total current assets		286,801,709	297,010,819	8,554,903	8,273,137
TOTAL ASSETS		354,177,328	379,227,690	117,312,930	153,133,760
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	112,264,362	110,847,394	112,264,362	110,847,394
Treasury shares	19	(1,287,081)	(855,221)	(1,287,081)	(855,221)
Other reserves	20	10,209,953	10,287,707	13,193,010	13,594,357
Retained earnings/ (Accumulated losses)		55,240,166	78,059,101	(26,448,068)	6,116,520
		176,427,400	198,338,981	97,722,223	129,703,050
Non-controlling interests		45,671,454	47,050,499	–	–
TOTAL EQUITY		222,098,854	245,389,480	97,722,223	129,703,050

Statements Of Financial Position As at 30 June 2020
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Non-current liabilities					
Loans and borrowings	21	19,135,369	16,308,636	–	–
Lease liabilities	22	2,009,899	–	–	–
Trade and other payables	23	352,508	352,508	–	–
Deferred tax liabilities	11	982,434	849,575	–	–
Total non-current liabilities		22,480,210	17,510,719	–	–
Current liabilities					
Loans and borrowings	21	11,637,042	23,357,527	1,500,000	17,000,000
Lease liabilities	22	2,360,707	–	–	–
Current tax liabilities		1,293,412	1,577,627	195,203	91,728
Trade and other payables	23	80,691,025	74,562,904	6,621,045	5,406,496
Employee benefits	24	892,871	772,800	–	–
Contract liabilities	14	12,723,207	16,056,633	–	–
Amount due to subsidiaries	15	–	–	11,274,459	932,486
Total current liabilities		109,598,264	116,327,491	19,590,707	23,430,710
TOTAL LIABILITIES		132,078,474	133,838,210	19,590,707	23,430,710
TOTAL EQUITY AND LIABILITIES		354,177,328	379,227,690	117,312,930	153,133,760

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	25	315,054,500	332,644,051	12,910,000	9,830,000
Cost of sales		(237,339,985)	(239,441,973)	–	–
Gross profit		77,714,515	93,202,078	12,910,000	9,830,000
Other income		2,030,140	1,672,676	–	48,394
Administrative expenses		(49,713,617)	(58,779,067)	(2,704,876)	(3,102,398)
Other expenses		(15,876,041)	–	(37,555,444)	(3,247,111)
Net (allowance)/reversal of impairment losses on receivables and contract assets		(20,946,865)	1,145,707	–	–
Operating (loss)/profit		(6,791,868)	37,241,394	(27,350,320)	3,528,885
Finance (costs)/income, net	26	(351,136)	175,595	(749,987)	(308,761)
Share of results of associate, net of tax		(24,023)	181,505	–	–
(Loss)/Profit before tax	27	(7,167,027)	37,598,494	(28,100,307)	3,220,124
Income tax expense	29	(8,122,820)	(8,530,943)	(414,266)	(208,690)
(Loss)/Profit for the financial year		(15,289,847)	29,067,551	(28,514,573)	3,011,434
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		585,475	1,117,916	–	–
Other comprehensive income for the financial year		585,475	1,117,916	–	–
Total comprehensive (loss)/income for the financial year		(14,704,372)	30,185,467	(28,514,573)	3,011,434

Statements Of Comprehensive Income For the Financial Year ended 30 June 2020

(cont'd)

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM**	**RM**	**RM**	**RM**
(Loss)/Profit attributable to:					
Owners of the Company		(18,768,920)	21,375,234	(28,514,573)	3,011,434
Non-controlling interests		3,479,073	7,692,317	–	–
		(15,289,847)	29,067,551	(28,514,573)	3,011,434
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(18,445,327)	22,153,839	(28,514,573)	3,011,434
Non-controlling interests		3,740,955	8,031,628	–	–
		(14,704,372)	30,185,467	(28,514,573)	3,011,434
(Loss)/Earnings per share (sen):					
Basic	30	(6.40)	7.55		
Diluted	30	(6.40)	7.45		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Group	Note	Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
		< ----- Attributable to owners of the Company				----- >		
At 1 July 2018		94,841,433	(855,221)	9,947,327	59,216,202	163,149,741	35,498,747	198,648,488
Total comprehensive income for the financial year								
Profit for the financial year		–	–	–	21,375,234	21,375,234	7,692,317	29,067,551
Other comprehensive income for the financial year		–	–	778,605	–	778,605	339,311	1,117,916
Total comprehensive income		–	–	778,605	21,375,234	22,153,839	8,031,628	30,185,467
Transactions with owners								
Dividends paid on shares to:								
- Owners of the Company	31	–	–	–	(2,884,088)	(2,884,088)	–	(2,884,088)
- Non-controlling interest		–	–	–	–	–	(3,920,000)	(3,920,000)
Non-controlling interest arising from acquisition of a new subsidiary		–	–	–	–	–	7,440,124	7,440,124
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS		2,415,961	–	(728,321)	–	1,687,640	–	1,687,640
Shares issued for acquisition of a subsidiary		13,590,000	–	–	–	13,590,000	–	13,590,000
Share options granted		–	–	641,849	–	641,849	–	641,849
Share options lapsed		–	–	(351,753)	351,753	–	–	–
Total transactions with owners		16,005,961	–	(438,225)	(2,532,335)	13,035,401	3,520,124	16,555,525
At 30 June 2019		110,847,394	(855,221)	10,287,707	78,059,101	198,338,981	47,050,499	245,389,480

Statements Of Changes In Equity For the Financial Year ended 30 June 2020 (cont'd)

Group (cont'd)	Note	Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
		< ----------------- Attributable to owners of the Company ----------------- >						
At 1 July 2019		110,847,394	(855,221)	10,287,707	78,059,101	198,338,981	47,050,499	245,389,480
Total comprehensive income/(loss) for the financial year								
(Loss)/Profit for the financial year		–	–	–	(18,768,920)	(18,768,920)	3,479,073	(15,289,847)
Other comprehensive income for the financial year		–	–	323,593	–	323,593	261,882	585,475
Total comprehensive income/(loss)		–	–	323,593	(18,768,920)	(18,445,327)	3,740,955	(14,704,372)
Transactions with owners								
Dividends paid/payable on shares to:								
- Owners of the Company	31	–	–	–	(4,422,068)	(4,422,068)	–	(4,422,068)
- Non-controlling interest		–	–	–	–	–	(5,120,000)	(5,120,000)
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS		1,416,968	–	(461,496)	–	955,472	–	955,472
Share options granted		–	–	432,202	–	432,202	–	432,202
Share options lapsed		–	–	(372,053)	372,053	–	–	–
Shares repurchased		–	(431,860)	–	–	(431,860)	–	(431,860)
Total transactions with owners		1,416,968	(431,860)	(401,347)	(4,050,015)	(3,466,254)	(5,120,000)	(8,586,254)
At 30 June 2020		112,264,362	(1,287,081)	10,209,953	55,240,166	176,427,400	45,671,454	222,098,854

Statements Of Changes In Equity For the Financial Year ended 30 June 2020
(cont'd)

		< ----------- Attributable to owners of the Company ------------ >				
		Share capital	Treasury shares	Other reserves	Retained earnings/ (Accumulated losses)	Total equity
Company	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2018		94,841,433	(855,221)	14,032,582	5,637,421	113,656,215
Total comprehensive income for the financial year		–	–	–	3,011,434	3,011,434
Transactions with owners						
Dividends paid on shares	31	–	–	–	(2,884,088)	(2,884,088)
Issuance of ordinary shares pursuant to:						
- Exercise of ESOS		2,415,961	–	(728,321)	–	1,687,640
Shares issued for acquisiton of a subsidiary		13,590,000	–	–	–	13,590,000
Share options granted		–	–	641,849	–	641,849
Share options lapsed		–	–	(351,753)	351,753	–
Total transactions with owners		16,005,961	–	(438,225)	(2,532,335)	13,035,401
At 30 June 2019		110,847,394	(855,221)	13,594,357	6,116,520	129,703,050
At 1 July 2019		110,847,394	(855,221)	13,594,357	6,116,520	129,703,050
Total comprehensive loss for the financial year		–	–	–	(28,514,573)	(28,514,573)
Transactions with owners						
Dividends paid on shares	31	–	–	–	(4,422,068)	(4,422,068)
Issuance of ordinary shares pursuant to:						
- Exercise of ESOS		1,416,968	–	(461,496)	–	955,472
Share options granted		–	–	432,202	–	432,202
Share options lapsed		–	–	(372,053)	372,053	–
Shares repurchased		–	(431,860)	–	–	(431,860)
Total transactions with owners		1,416,968	(431,860)	(401,347)	(4,050,015)	(3,466,254)
At 30 June 2020		112,264,362	(1,287,081)	13,193,010	(26,448,068)	97,722,223

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(7,167,027)	37,598,494	(28,100,307)	3,220,124
Adjustments for:					
Amortisation of intangible asset		1,043,828	3,226,196	–	–
Bad debt recovered		–	(48,394)	–	(48,394)
Bad debt written off		73,185	73,409	–	–
Depreciation of property, plant and equipment		1,709,660	2,889,743	18,832	21,475
Depreciation of right-of-use assets		2,789,029	–	–	–
Dividend income		–	–	(11,130,000)	(8,330,000)
Employee benefits		90,338	170,379	–	–
Fair value loss on consideration/ contingent consideration payable		1,080,831	–	1,080,831	–
Finance costs		2,117,908	1,528,679	870,291	436,998
Finance income		(1,766,772)	(1,704,274)	(120,304)	(128,237)
Fair value gain on investment properties		–	(80,000)	–	–
Gain on disposal of property, plant and equipment		(95,782)	(166,243)	–	–
Gain on disposal of right-of-use assets		(17,675)	–	–	–
Inventories written down to net realisable value		228,415	290,890	–	–
Net allowance/(reversal) of impairment losses on:					
- amount due from subsidiaries		–	–	35,449	432,879
- contract assets		1,662,638	–	–	–
- goodwill		13,751,382	–	–	–
- investment in subsidiaries		–	–	36,474,613	3,247,111
- trade receivables		19,284,227	(1,145,707)	–	–
Property, plant and equipment written off		5,185	3,490	–	–
Rent concession income		(18,150)	–	–	–
Reversal of short-term accumulating compensated absences		–	(9,959)	–	–
Right-of-use assets written off		61,779	–	–	–
Share of results of associate		24,023	(181,505)	–	–
Share options granted under ESOS		432,202	641,849	98,964	216,027
Unrealised gain on foreign exchange		(259,417)	(242,529)	–	–
Operating profit/(loss) before changes in working capital, carried forward		35,029,807	42,844,518	(771,631)	(932,017)

Statements Of Cash Flows For the Financial Year ended 30 June 2020
(cont'd)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities (cont'd)					
Operating profit/(loss) before changes in working capital, brought forward		35,029,807	42,844,518	(771,631)	(932,017)
Changes in working capital:					
Inventories		(9,525,126)	875,301	–	–
Trade and other receivables/ Contract assets		7,787,934	(18,951,204)	1,106,800	4,233,297
Trade and other payables/ Contract liabilities		1,173,864	6,666,798	133,718	(56,900)
Cash generated from operations		34,466,479	31,435,413	468,887	3,244,380
Dividend received		–	–	11,130,000	8,330,000
Income tax paid		(9,229,193)	(10,604,127)	(310,791)	(136,624)
Income tax refunded		831,836	581,062	–	191,824
Interest paid		(2,117,908)	(1,528,679)	(870,291)	(436,998)
Net cash from operating activities		23,951,214	19,883,669	10,417,805	11,192,582
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired	9	–	(17,927,286)	–	(20,000,000)
Finance income		1,040,112	1,294,367	1,920	15,312
Placement of short-term investments		(57,200,000)	(31,800,000)	(8,400,000)	(1,800,000)
Proceeds from disposal of property, plant and equipment		97,273	190,700	–	–
Proceeds from disposal of right-of-use assets		55,968	–	–	–
Proceeds from disposal of short-term investments		50,500,000	30,584,787	8,500,000	1,400,000
Purchase of property, plant and equipment	(a)	(1,184,977)	(1,811,913)	(57,611)	–
(Advances to)/Repayment from subsidiaries		–	–	(2,366,704)	206,915
Net cash used in investing activities		(6,691,624)	(19,469,345)	(2,322,395)	(20,177,773)

Statements Of Cash Flows
For the Financial Year ended 30 June 2020
(cont'd)

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from financing activities	(b)				
Advances from/(Repayment to) subsidiaries		–	–	10,341,973	(5,562,424)
Change in pledged deposits		1,939,050	488,230	–	–
Dividend paid to:					
- Owners of the Company		(4,422,068)	(2,884,088)	(4,422,068)	(2,884,088)
- Non-controlling interests		(4,580,000)	(2,210,000)	–	–
Drawdown of revolving credits		1,500,000	17,475,000	–	17,000,000
Drawdown of term loans		11,000,000	10,000,000	–	–
Drawdown of trade loan		1,855,697	433,528	–	–
Payment of lease/finance lease liabilities		(2,725,099)	(814,051)	–	–
Proceeds from exercise of ESOS		955,472	1,687,640	955,472	1,687,640
Purchase of treasury shares		(431,860)	–	(431,860)	–
Repayment of revolving credits		(15,975,000)	–	(15,500,000)	–
Repayment of term loans		(4,113,116)	(8,702,039)	–	–
Net cash (used in)/from financing activities		(14,996,924)	15,474,220	(9,056,483)	10,241,128
Net increase/(decrease) in cash and cash equivalents		2,262,666	15,888,544	(961,073)	1,255,937
Cash and cash equivalents at the beginning of the financial year		57,733,232	40,837,484	1,521,389	265,452
Effects of exchange rate changes on cash and cash equivalents		867,579	1,007,204	–	–
Cash and cash equivalents at the end of the financial year	17	60,863,477	57,733,232	560,316	1,521,389

Statements Of Cash Flows For the Financial Year ended 30 June 2020
(cont'd)

(a) Purchase of property, plant and equipment:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Purchase of property, plant and equipment	1,184,977	2,900,687	57,611	–
Financed by way of lease arrangements	–	(1,088,774)	–	–
Cash payments on purchase of property, plant and equipment	1,184,977	1,811,913	57,611	–

(b) Reconciliation of liabilities arising from financing activities:

	1 July 2019 RM (Restated)	Cash flows RM	Non-cash Acquisition RM	30 June 2020 RM
Group				
Revolving credits	17,475,000	(14,475,000)	–	3,000,000
Term loans	17,760,327	6,886,884	–	24,647,211
Trade loan	1,269,503	1,855,697	–	3,125,200
Lease liabilities	5,673,293	(2,725,099)	1,422,412	4,370,606
	42,178,123	(8,457,518)	1,422,412	35,143,017

	1 July 2018 RM	Cash flows RM	Non-cash Acquisition RM	30 June 2019 RM
Group				
Finance lease liabilities	2,886,610	(814,051)	1,088,774	3,161,333
Revolving credits	–	17,475,000	–	17,475,000
Term loans	9,733,725	1,297,961	6,728,641	17,760,327
Trade loan	835,975	433,528	–	1,269,503
	13,456,310	18,392,438	7,817,415	39,666,163

Company

Changes in liabilities arising from financing activities are changes arising from cash flows.

(c) During the financial year, the total cash outflows of the Group for leases is RM4,293,287.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

AWC Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 20-2, Subang Business Centre, Jalan USJ 9/5T, 47620 UEP Subang Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 October 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

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

<u>New MFRS</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 16	Leases
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

<u>New IC Int</u>

IC Int 23	Uncertainty over Income Tax Treatments

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 July 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 July 2019. Existing lease contracts that are still effective on 1 July 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal portion (presented within financing activities) and interest portions (presented within operating activities) in the statements of cash flows for the current financial year.

<u>For leases that were classified as operating lease under MFRS 117</u>

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Group and the Company also applied the following practical expedients wherein they:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) applied the exemption not to recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery, office equipment and IT equipment that have a lease term of 12 months or less. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

The effects of adoption of MFRS 16 as at 1 July 2019 (increase/(decrease)) are as follows:

	Adjustments	Group Increase/ (Decrease) RM
ASSETS		
Non-current assets		
Property, plant and equipment	(i)	(4,269,729)
Right-of-use assets	(i)	6,781,689
Total non-current assets		2,511,960
Non-current liabilities		
Loans and borrowings	(i)	(2,093,481)
Lease liabilities	(i)	3,158,485
Total non-current liabilities		1,065,004
Current liabilities		
Loans and borrowings	(i)	(1,067,852)
Lease liabilities	(i)	2,514,808
Total current liabilities		1,446,956
Total equity and liabilities		2,511,960

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 July 2019 is 5.02%.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 30 June 2019, as follows:

	Group RM
Assets	
Operating lease commitments as at 30 June 2019	2,319,059
Lease payments not included in operating lease commitment as at 30 June 2019	1,124,605
Operating lease commitments as at 1 July 2019	3,443,664
Adjustment for discounting based on weighted average incremental borrowing rate as at 1 July 2019	(368,626)
Discounted operating lease commitments as at 1 July 2019	3,075,038
Less:	
Commitments relating to short term leases	(563,078)
Add:	
Commitments relating to lease previously classified as finance lease	3,161,333
Lease liabilities as at 1 July 2019	5,673,293

The Group and the Company also early adopted the *Amendment to MFRS 16 Leases* issued by MASB on 5 June 2020.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The Group and the Company elected the practical expedient not to assess whether a rent concession received from landlord is a lease modification. The effect of adoption of the above amendment is disclosed in Note 27 to the financial statements as rent concession income.

2. BASIS OF PREPARATION (CONT'D)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023#
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ The Annual Improvements to MFRS Standards 2018-2020
# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (cont'd)

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

(c) The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, unless otherwise stated.

2. BASIS OF PREPARATION (CONT'D)

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation and economic entities

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation and economic entities (cont'd)

(a) Subsidiaries and business combination (cont'd)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following (cont'd):

- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8(a) to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset depending on the level of influence retained.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation and economic entities (cont'd)

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.12(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

(a) Initial recognition

Except for the trade receivables that do not contain a significant financing component, financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs attributable to a financial asset or financial liability carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables that do not contain a significant financing component or where the Group and the Company expect the period between when the promised goods are transferred and when the customer pays will be one year or less, are measured at the transaction price determined under MFRS 15.

(b) Subsequent measurement

The Group and the Company categorise financial instruments as follows:

(i) Financial assets

- **Amortised cost**
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a) to the financial statements. Gain and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(b) Subsequent measurement (cont'd)

(ii) Financial liabilities

The Group and the Company classify their financial liabilities as financial liabilities measured at amortised cost.

Financial liabilities are subsequently measured at amortised cost using effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the EIR amortisation process.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined using the general 3-stage approach as described in Note 3.12(a) to the financial statements and the amount initially recognised, and where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

    (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
    (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment (other than freehold buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

Freehold buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings when the assets are derecognised.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.17 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (cont'd)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on a straight-line basis by allocating their depreciable amounts over their remaining useful lives at the following annual rates:

Buildings	2%
Leasehold buildings	Over the lease period of 92 years
Computer equipment and software	10% to 50%
Machinery, equipment and motor vehicles	10% to 50%
Furniture, fittings and office equipment	8% to 20%
Electrical installation and renovation	10% to 33 1/3%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Leases

(a) Definition of lease

Accounting policies applied from 1 July 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 30 June 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(b) Lessee accounting

Accounting policies applied from 1 July 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 6 to the financial statements and lease liabilities in Note 22 to the financial statements.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(b) Lessee accounting (cont'd)

Accounting policies applied from 1 July 2019 (cont'd)

Lease liability (cont'd)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 30 June 2019

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(c) Lessor accounting

Accounting policies applied from 1 July 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(b) to the financial statements, then it classifies the sub-lease as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(c) Lessor accounting (cont'd)

Accounting policies applied from 1 July 2019 (cont'd)

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 30 June 2019

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.17 to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Intangible assets

(a) Goodwill on consolidation

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

(b) Other intangible asset

Intangible asset, other than goodwill, that are acquired by the Group, which have finite useful life, is measured at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is recognised in profit or loss over the period of the customer contracts. Amortisation methods and useful life are reviewed at the end of each reporting period and adjusted, if appropriate.

3.9 Inventories

Inventories consist of raw materials and consumables, trading and installation goods, work in progress and finished goods.

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables are determined using the first-in first-out basis.
- Trading and installation goods are assigned on a weighted average cost basis.
- Work in progress are assigned on a weighted average cost basis.
- Finished goods are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.12 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, contract assets and financial guarantee contracts are subject to the impairment requirement in MFRS 9 to account for expected credit losses. Expected credit loss ("ECL") is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance as follows:

(i) General 3-stage approach for other receivables and cash and short-term deposits.

At each reporting date, the Group and the Company measure loss allowance at an amount equal to credit losses that result from default events that are possible within the next 12-months (12-month ECL") if credit risk on a financial instrument has not increased significantly since initial recognition.

For other financial instruments, a loss allowance at an amount equal to credit losses over the remaining life of the exposure ("lifetime ECL") is required.

(ii) Simplified approach for trade receivables and contract assets.

The Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime ECL at each reporting date.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

Generally, the Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

The Group and the Company consider a financial asset to be in default (or credit-impaired) when contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Nevertheless, in other cases, the Group and the Company may also consider internal and external information that indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. Those information includes instances where:

- the counterparty is in significant financial difficulty;
- the counterparty is in breach of financial covenants;
- the lender of the counterparty having granted to the counterparty a concession that the lender would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Impairment losses (or reversal) are recognised in profit or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the counterparty no longer have assets or a source of income that could generate sufficient cash flows to repay the amount owing.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets, deferred tax assets and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of assets (cont'd)

(b) Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.13 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.14 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Defined benefit plans

The Group operates defined benefit pension plans (funded) and provides a post-employment healthcare benefit (unfunded) plan to employees as provided in the employment agreements between the companies in the Group and their employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(d) Employees' Share Option Scheme ("ESOS")

Employees of the Group and of the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employees' share option reserve over the vesting period. The cumulative expense recognised at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employees' share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employees' share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by reissuance of treasury shares.

3.15 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.16 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue and other income (cont'd)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts. Any cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability is disclosed in the financial statements.

Financing components
The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if it expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Construction contracts

The Group constructs facilities and engineering works under contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control of the facilities and engineering works is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term of 30 to 180 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers for construction of facilities and engineering works based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(b) Design, manufacture and supply contracts

The Group designs, manufacture and supply goods under contracts with customers.

Under the terms of the contracts, control of the underlying goods in relation to the manufacture and supply contracts is transferred over time as:

(i) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(ii) the Group's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue and other income (cont'd)

(b) Design, manufacture and supply contracts (cont'd)

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of costs incurred for work performed to date bear to the estimated total costs (an input method).

Sales are made with credit term ranging from 30 to 180 days, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(c) Sale of goods

Revenue from sale of goods is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term of 30 to 180 days.

(d) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method), labour hours expended (input method) or costs incurred (input method).

Sales are made with a credit term of 30 to 180 days.

(e) Commission income

Commission income is recognised when the right to receive payment is established.

(f) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

(h) Interest income

Interest income is recognised using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.18 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Income tax (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director and Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.21 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Contract costs

(a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 *Inventories*, MFRS 116 *Property, Plant and Equipment* or MFRS 138 *Intangible Assets*, are recognised as part of contract costs when all of the following criteria are met:

(i) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
(ii) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(iii) the costs are expected to be recovered.

(b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimate and Errors*.

(c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

(i) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
(ii) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 *Impairment of Assets* to that cash-generating unit.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

4.1 Impairment of goodwill on business combination

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including near-term impact from Coronavirus ("COVID-19"), forecast growth rates, operating expenses and gross profit margin. The economic uncertainties from COVID-19 pandemic may result in higher level of estimation uncertainty to the inputs and assumptions used in the value-in-use calculation. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 8.1 to the financial statements.

4.2 Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The forward-looking estimates include the possible impact of COVID-19 pandemic on risk of default of financial assets and contract assets.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets and contract assets are disclosed in Note 32 to the financial statements.

4.3 Construction revenue

The Group recognised construction revenue in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 14 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (Cont'd):

4.4 Impairment of investment in subsidiaries

The Company assesses its investment in subsidiaries at the end of the reporting period for any objective evidence that the investment may be impaired. For the purpose of assessing impairment, the Group determines its share of the present value of the estimated future cash flows expected to be generated by the subsidiaries. In estimating the present value of the estimated cash flows, the Group applies a suitable discount rate and make assumptions underlying the cash flow projections which include near-term impact of COVID-19 pandemic, future revenue, gross profit margin and operating expenses.

The carrying amounts of investment in subsidiaries are disclosed in Note 9 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	At valuation	< ----------	----------	---------- At cost	----------	---------- >	
Group	**Buildings RM**	**Leasehold land RM**	**Computer equipment and software RM**	**Machinery, equipment and motor vehicles RM**	**Furniture, fittings and office equipment RM**	**Electrical installation and renovation RM**	**Total RM**
2020							
Valuation/Cost							
At 1 July 2019							
- As previously reported	7,963,941	423,000	9,973,864	14,815,775	5,582,240	2,015,834	40,774,654
- Effect of adoption of MFRS 16	–	(423,000)	–	(7,150,793)	–	–	(7,573,793)
Adjusted balance at 1 July 2019	7,963,941	–	9,973,864	7,664,982	5,582,240	2,015,834	33,200,861
Additions	–	–	197,871	594,295	344,982	47,829	1,184,977
Disposals	–	–	–	(389,369)	(44,677)	–	(434,046)
Written off	–	–	(4,139)	–	(9,094)	–	(13,233)
Exchange differences	–	–	21,553	16,654	8,612	4,626	51,445
At 30 June 2020	7,963,941	–	10,189,149	7,886,562	5,882,063	2,068,289	33,990,004
Accumulated depreciation							
At 1 July 2019							
- As previously reported	258,262	10,044	8,634,021	8,973,816	4,441,871	1,434,253	23,752,267
- Effect of adoption of MFRS 16	–	(10,044)	–	(3,294,020)	–	–	(3,304,064)
Adjusted balance at 1 July 2019	258,262	–	8,634,021	5,679,796	4,441,871	1,434,253	20,448,203
Depreciation charge for the financial year	126,959	–	346,015	683,921	307,931	244,834	1,709,660
Disposals	–	–	–	(389,368)	(43,187)	–	(432,555)
Written off	–	–	(3,843)	–	(4,205)	–	(8,048)
Exchange differences	–	–	20,582	5,353	7,922	4,383	38,240
At 30 June 2020	385,221	–	8,996,775	5,979,702	4,710,332	1,683,470	21,755,500
Net carrying amount							
At 30 June 2020	7,578,720	–	1,192,374	1,906,860	1,171,731	384,819	12,234,504

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)	At valuation Buildings RM	<---- At cost Leasehold land RM	Computer equipment and software RM	Machinery, equipment and motor vehicles RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM ---->	Total RM
2019							
Valuation/Cost							
At 1 July 2018	7,388,151	423,000	9,704,673	12,266,316	5,311,748	1,908,129	37,002,017
Additions	–	–	314,310	2,289,854	223,588	72,935	2,900,687
Acquisition of subsidiary	575,790	–	24,039	696,332	113,765	29,989	1,439,915
Disposals	–	–	(103,568)	(541,564)	(59,960)	–	(705,092)
Written off	–	–	–	–	(6,947)	–	(6,947)
Exchange differences	–	–	34,410	104,837	46	4,781	144,074
At 30 June 2019	7,963,941	423,000	9,973,864	14,815,775	5,582,240	2,015,834	40,774,654
Accumulated depreciation							
At 1 July 2018	129,659	10,044	8,317,214	7,651,347	4,236,389	1,180,506	21,525,159
Depreciation charge for the financial year	128,603	–	398,067	1,838,780	275,229	249,064	2,889,743
Disposals	–	–	(99,662)	(530,364)	(50,610)	–	(680,636)
Written off	–	–	–	–	(3,457)	–	(3,457)
Exchange differences	–	–	18,402	14,053	(15,680)	4,683	21,458
At 30 June 2019	258,262	10,044	8,634,021	8,973,816	4,441,871	1,434,253	23,752,267
Net carrying amount							
At 30 June 2019	7,705,679	412,956	1,339,843	5,841,959	1,140,369	581,581	17,022,387

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Computer equipment and software RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
2020				
Cost				
At 1 July 2019	472,080	63,853	67,745	603,678
Additions	57,611	–	–	57,611
At 30 June 2020	529,691	63,853	67,745	661,289
Accumulated depreciation				
At 1 July 2019	447,806	60,567	67,745	576,118
Depreciation charge for the financial year	17,031	1,801	–	18,832
At 30 June 2020	464,837	62,368	67,745	594,950
Net carrying amount				
At 30 June 2020	64,854	1,485	–	66,339
2019				
Cost				
At 1 July 2018/30 June 2019	472,080	63,853	67,745	603,678
Accumulated depreciation				
At 1 July 2018	428,132	58,766	67,745	554,643
Depreciation charge for the financial year	19,674	1,801	–	21,475
At 30 June 2019	447,806	60,567	67,745	576,118
Net carrying amount				
At 30 June 2019	24,274	3,286	–	27,560

(a) Revaluation of freehold buildings

The properties were revalued by the directors based on the valuation carried out in June 2019 by an independent firm of professional valuer. The fair value of the freehold buildings of the Group is categorised as Level 2. The fair value was determined by using the market comparable approach that reflects recent transaction prices, adjusted for differences in the nature, location or condition of the buildings. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The most significant input into this valuation approach is price per square foot of comparable properties.

Had the buildings been carried under the cost method, the net carrying amount of the revalued assets at cost less accumulated depreciation would have been RM3,089,811 (2019: RM3,184,211) as at the end of the financial year.

(b) Assets pledged as security

Freehold buildings of the Group with a net carrying amount of RM5,549,868 (2019: RM5,648,126) have been pledged as security to secure term loans of the Group as disclosed in Note 21(c) to the financial statements.

6. RIGHT-OF-USE ASSETS

The Group leases several assets including land, buildings and motor vehicles.

Information about leases for which the Group is a lessee is presented below:

	Group			
	Land RM	Buildings RM	Motor vehicles RM	Total RM
Cost				
At 1 July 2019				
- As previously reported	–	–	–	–
- Effect of adoption of MFRS 16	547,681	2,387,279	7,150,793	10,085,753
Adjusted balance at 1 July 2019	547,681	2,387,279	7,150,793	10,085,753
Additions	–	992,184	430,228	1,422,412
Disposals	–	–	(143,599)	(143,599)
Written off	–	–	(71,283)	(71,283)
Exchange difference	–	–	8,100	8,100
At 30 June 2020	547,681	3,379,463	7,374,239	11,301,383
Accumulated depreciation				
At 1 July 2019				
- As previously reported	–	–	–	–
- Effect of adoption of MFRS 16	10,044	–	3,294,020	3,304,064
Adjusted balance at 1 July 2019	10,044	–	3,294,020	3,304,064
Depreciation charge for the financial year	42,040	1,515,244	1,231,745	2,789,029
Disposals	–	–	(105,306)	(105,306)
Written off	–	–	(9,504)	(9,504)
Exchange difference	–	6,392	7,986	14,378
At 30 June 2020	52,084	1,521,636	4,418,941	5,992,661
Carrying amount at 30 June 2020	495,597	1,857,827	2,955,298	5,308,722

The Group leases land and buildings for their operation site, warehouse and office space. The leases generally have lease terms of 1 to 5 years.

The Group also leases motor vehicles under hire purchase arrangements with lease terms of 4 to 7 years and has options to purchase the assets at the end of the contract term.

7. INVESTMENT PROPERTIES

	Group 2020 RM	2019 RM
At fair value:		
At 1 July	4,590,206	4,510,206
Additions	600,000	–
Fair value gain (Note 27)	–	80,000
At 30 June	5,190,206	4,590,206

During the financial year, the additions of investment properties arose from a debt settlement agreement entered into between a subsidiary and its debtor for the contra of properties against the amount owing to the subsidiary.

The freehold buildings of the Group have been pledged as security to secure term loans of the Group as disclosed in Note 21(c) to the financial statements.

The following are recognised in profit or loss in respect of investment properties:

	Group 2020 RM	2019 RM
Rental income	227,080	258,480
Direct operating expenses on income generating investment properties	(32,318)	(34,285)

Fair value of investment properties are categorised as follows:

Group	**Level 2 RM**
2020	
Investment properties	5,190,206
2019	
Investment properties	4,590,206

There are no Level 1 or Level 3 investment properties or transfers between Level 1 and Level 2 during the financial year ended 30 June 2020 or 30 June 2019.

Level 2 fair value

The fair value of freehold buildings were determined by an independent firm of professional valuers based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location or condition of the buildings. In estimating the fair value of the freehold buildings, the highest and best use of the freehold buildings is their current use. The most significant input into this valuation approach is price per square foot of comparable buildings.

8. INTANGIBLE ASSETS

	Group 2020 RM	Group 2019 RM
Goodwill (Note 8.1)	41,710,741	55,462,123
Other intangible asset (Note 8.2)	–	1,043,828
	41,710,741	56,505,951

8.1 Goodwill

	Group 2020 RM	Group 2019 RM
At 1 July	55,462,123	28,144,403
Acquisition of subsidiary (Note 9(a))	–	27,317,720
Impairment loss (Note 27)	(13,751,382)	–
At 30 June	41,710,741	55,462,123

Allocation of goodwill to cash-generating units ("CGUs")

The Group's goodwill has been allocated to the respective CGUs, which operate in the Environment, Engineering and Rail segments, as follows:

	Group 2020 RM	Group 2019 RM
Environment - SGSB and its subsidiaries	5,912,091	5,912,091
Engineering - QSB and it subsidiary	13,802,238	13,802,238
Engineering - DDT	3,368,314	8,430,074
Rail - TWS	18,628,098	27,317,720
	41,710,741	55,462,123

Key assumptions used in value-in-use computations

The recoverable amount for all CGUs has been determined based on value-in-use calculations using pre-tax cash flows projections based on financial budgets estimated by management covering a 4-year period and cash flows beyond the period are extrapolated.

8. INTANGIBLE ASSETS (CONT'D)

8.1 Goodwill (cont'd)

Key assumptions used in value-in-use computations (cont'd)

The following describes each key assumptions for which management has based its cash flows projections to undertake the impairment testing of goodwill:

	Gross margin	Revenue growth	Discount rate
2020			
Environment - SGSB and its subsidiaries	37%	11%	12%
Engineering - QSB and its subsidiary	14%	9%	13%
Engineering - DDT	33%	16%	15%
Rail - TWS	24%	21%	15%
2019			
Environment - SGSB and its subsidiaries	43%	9%	10%
Engineering - QSB and its subsidiary	14%	19%	11%
Engineering - DDT	32%	13%	11%
Rail - TWS	30%	9%	14%

(a) Gross margin

The basis used to determine the value assigned to the budgeted gross margins is based on historical achieved margins and assumes no significant changes in cost structure or input prices.

(b) Revenue growth

Revenue growth over the 4-year period is projected based on management's estimation taking into consideration secured orders, anticipated identified future projects/contracts, historical growth rates and market outlook over the next 4 years following possible near-term impact from COVID-19 pandemic.

(c) Discount rates

The discount rates used are pre-tax and take into consideration the industry risks associated with the relevant segments.

(d) Sensitivity to changes in assumptions

Other than CGUs with impairment loss and as discolosed below, with regard to the assessment of value-in-use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

<u>Engineering - QSB and its subsidiary</u>

For this segment, its recoverable amount exceeded its carrying amount by approximately RM3.48 million. Based on the sensitivity analysis performed, a decrese of gross margin by one percentage point would cause this segment's recoverable amount to reduced to its carrying amount.

8. INTANGIBLE ASSETS (CONT'D)

8.2 Other intangible asset

	Group 2020 RM	Group 2019 RM
Cost		
At 1 July	4,270,024	–
Acquisition of a subsidiary	–	4,270,024
At 30 June	4,270,024	4,270,024
Accumulated amortisation		
At 1 July	3,226,196	–
Amortisation for the year (Note 27)	1,043,828	3,226,196
At 30 June	4,270,024	3,226,196
Net carrying amount		
At 30 June	–	1,043,828

Other intangible asset represents customer contracts arising from acquisition of Trackwork & Supplies Sdn. Bhd.

9. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM	Company 2019 RM
Unquoted shares, at cost		
At 1 July	165,587,910	127,110,005
Additions	–	38,477,905
	165,587,910	165,587,910
ESOS granted to employees of subsidiaries	2,531,736	2,198,498
Less: Allowance for impairment loss	(59,427,958)	(22,953,345)
At 30 June	108,691,688	144,833,063

The movement in the impairment of investment in subsidiaries is as follows:

	Company 2020 RM	Company 2019 RM
At 1 July	22,953,345	19,706,234
Allowance of impairment loss (Note 27)	36,474,613	3,247,111
At 30 June	59,427,958	22,953,345

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

The impairment of investment in certain subsidiaries has been recognised during the financial year to write down the carrying amount to the recoverable amount of the subsidiaries in view of their financial performance. The recoverable amounts were determined using pre-tax discount rates ranging from 11% to 15%.

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest 2020 %	2019 %	Principal activities
Ambang Wira Sdn. Bhd. ("AWSB")	Malaysia	100	100	Comprehensive facility management services
AW Facility Management Sdn. Bhd. ("AWFM")	Malaysia	100	100	Comprehensive facility management services
AWC Renewable Energy Sdn. Bhd. ("AWCRE")	Malaysia	100	100	Building integrated photovoltaic projects
AWC Facilities Engineering Sdn. Bhd. ("AFESB")	Malaysia	75	75	Facility management
M & C Engineering and Trading Sdn. Bhd. ("M&C(M)")	Malaysia	100	100	Air-conditioning and building automation
Environmental & Landscape Services Sdn. Bhd. ("ELS")	Malaysia	100	100	Landscaping
Teroka Energy Sdn. Bhd. ("TESB")	Malaysia	100	100	Investment holding, property dealing and general trading
AWC Pureti Sdn. Bhd. ("AWCP")	Malaysia	100	100	Trading of Pureti and Vital Oxide products
Stream Group Sdn. Bhd. ("SGSB")**	Malaysia	51	51	General trading and installation of cleaning equipment and vacuum systems, automated vacuum waste collection system, pipe networks and specialised connections
Qudotech Sdn. Bhd. ("QSB")	Malaysia	100	100	Mechanical and electrical engineering works

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest 2020 %	2019 %	Principal activities
DD Techniche Sdn. Bhd. ("DDT")	Malaysia	100	100	Contracting for mechanical engineering works and tradings of specialised water tanks and rainwater harvesting products
Trackwork & Supplies Sdn. Bhd. ("TWS")	Malaysia	60	60	Construction activities, acting as contractors and carrying on the business of general trading
Subsidiaries of SGSB:				
Stream Industries Sdn. Bhd. ("SISB")	Malaysia	51	51	Environmental engineering and general trading
Stream Environment (S) Pte. Ltd. ("SEPL")*	Singapore	51	51	Importers, dealers and contractors of industrial and domestic cleaning equipment and appliances
Stream Environment Sdn. Bhd. ("SESB")	Malaysia	51	51	Environmental engineering and general trading
Subsidiary of QSB:				
Qudotech (JB) Sdn. Bhd. ("QJB")	Malaysia	100	100	Mechanical and electrical engineering works
Subsidiary of M&C(M):				
M & C Engineering and Trading (S) Pte. Ltd. ("M&C(S)")*	Singapore	100	100	Air-conditioning and building automation
Subsidiary of AWSB:				
AWC Rail Sdn. Bhd. ("AWCR")	Malaysia	100	100	Manufacture of railway locomotives and rolling stock

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

** Branches in Abu Dhabi and Dubai audited by auditors other than Baker Tilly Monteiro Heng PLT.

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Trackwork & Supplies Sdn. Bhd.

On 9 October 2018, the Company had completed the acquisition of a 60% controlling interest in the equity shares of Trackwork & Supplies Sdn. Bhd. ("TWS"). TWS operates in various areas of the railway infrastructure specialising in trading and rail welding works, ranging from the supplies of materials to the actual completion of rail works. Its businesses are conducted mainly in Malaysia. In conjunction with the acquisition, the Company undertakes a diversification of the principal activities of the Group to include rail related works.

(i) Fair value of consideration transferred:

Purchase consideration

		2019 RM
(a)	Cash consideration	20,000,000
(b)	Issuance of 19,287,151 new ordinary shares in the Company	13,590,000
(c)	Contingent consideration payable	4,887,905
		38,477,905

As at the acquisition date, the fair value of the consideration was estimated to be RM38,477,905. As part of the purchase agreement, remaining shares consideration amounting to RM6,000,000 will be issued to the vendors of TWS if TWS achieves 2-year cumulative guaranteed profit after tax of RM12,000,000 for the period ending 30 September 2019. If the actual profit is above or below the guaranteed level, the amount payable increases or decreases by the excess or shortfall in profit. The fair value contingent consideration payable was estimated at RM4,887,905. The fair value is measured based on discounted cash flows method. The discount rate applied was 9.55%.

(ii) Fair value of the identifiable assets acquired and liabilities recognised:

	2019 RM
Assets	
Property, plant and equipment	1,439,915
Intangible assets	4,270,024
Amount due from contract customers	4,488,184
Trade receivables	27,616,145
Other receivables	528,363
Fixed deposits	2,962,358
Cash and bank balances	2,072,714
Total assets	43,377,703

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Trackwork & Supplies Sdn. Bhd. (cont'd)

(ii) Fair value of the identifiable assets acquired and liabilities recognised (cont'd):

	2019 RM
Liabilities	
Loans and borrowings	6,728,641
Deferred tax liabilities	1,155,551
Trade payables	12,836,581
Other payables	1,462,086
Amount due to director	1,952,328
Tax liabilities	642,207
Total liabilities	24,777,394
Total identifiable net assets acquired	18,600,309
Goodwill arising on acquisition (Note 7)	27,317,720
Non-controlling interest at fair value	(7,440,124)
Fair value of consideration transferred	38,477,905

Goodwill

Goodwill comprises the value of expected synergies arising from the acquisition and non-identifiable intangible assets which are not separately recognised.

Non-identifiable intangible assets comprise customer list and substantial non-contractual customer relationships. Whilst substantial non-contractual customer relationships was not identifiable at the acquisition date because it was neither separable from the business as a whole nor could it be controlled through legal or other contractual rights. Therefore, these assets did not meet the recognition criteria as an intangible asset under MFRS 138 *Intangible Assets*. Hence, these intangible assets were subsumed in the amount determined for goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs

Acquisition-related costs of the business combination amounted to RM169,100, which was recognised in profit or loss as administrative expense.

(iii) Effects of acquisition on cash flows:

	2019 RM
Fair value of consideration transferred	38,477,905
Less: Non-cash consideration	(18,477,905)
Consideration paid in cash	20,000,000
Less: Cash and cash equivalents of a subsidiary acquired	(2,072,714)
Net cash outflows on acquisition	17,927,286

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Trackwork & Supplies Sdn. Bhd. (cont'd)

(iv) Effects of acquisition in statements of comprehensive income:

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	2019 RM
Revenue	50,370,956
Profit for the financial year	8,999,234

If the acquisition had occured on 1 July 2018, the consolidated results for the financial year ended 30 June 2019 would have been as follows:

	2019 RM
Revenue	8,713,446
Profit for the financial year	1,607,178

(b) Non-controlling interest in subsidiaries

The effective ownership interest and voting interest of non-controlling interest are as follows:

Name of company	**Principal place of businesss/Country of incorporation**	**Ownership interest 2020 %**	**2019 %**
AWC Facilities Engineering Sdn. Bhd. ("AFESB")	Malaysia	25	25
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	Malaysia	49	49
Trackwork & Supplies Sdn. Bhd. ("TWS")	Malaysia	40	40

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interest in subsidiaries (cont'd)

The financial information of the Group's subsidiaries that have material non-controlling interests are as follows:

Carrying amount of material non-controlling interests:

Name of company	2020 RM	2019 RM
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	36,420,082	38,436,318
Trackwork & Supplies Sdn. Bhd. ("TWS")	9,857,774	9,218,578

Profit or loss allocated to material non-controlling interests:

Name of company	2020 RM	2019 RM
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	1,641,881	5,916,344
Trackwork & Supplies Sdn. Bhd. ("TWS")	1,839,196	1,778,454

(c) Summarised financial information of material non-controlling interest

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

Summarised financial information before intra-group elimination:

	Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group") RM	Trackwork and Supplies Sdn. Bhd. ("TWS") RM
Summarised statement of financial position as at 30 June 2020		
Non-current assets	8,186,014	1,724,644
Current assets	86,145,879	34,927,652
Current liabilities	(18,228,795)	(109,946)
Non-current liabilities	(1,024,620)	(12,704,555)
Net assets	75,078,478	23,837,795

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of material non-controlling interest (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows (cont'd):

Summarised financial information before intra-group elimination (cont'd):

	Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group") RM	Trackwork and Supplies Sdn. Bhd. ("TWS") RM
Summarised statement of comprehensive income for the financial year ended 30 June 2020		
Revenue	55,592,095	35,478,548
Profit for the financial year	3,350,778	4,597,991
Total comprehensive income	3,885,232	4,597,991
Summarised of cash flows information for the financial year ended 30 June 2020		
Cash flows from/(used in) operating activities	8,298,049	(797,438)
Cash flows from investing activities	463,144	217,876
Cash flows used in financing activities	(8,924,652)	(3,576,630)
Net decrease in cash and cash equivalents	(163,459)	(4,156,192)
Dividends paid/payable to non-controlling interests	3,920,000	1,200,000
Summarised statement of financial position as at 30 June 2019		
Non-current assets	7,335,741	1,784,829
Current assets	91,856,011	34,588,112
Current liabilities	(17,787,432)	(13,885,937)
Non-current liabilities	(1,939,477)	(247,201)
Net assets	79,464,843	22,239,803
Summarised statement of comprehensive income for the financial year ended 30 June 2019		
Revenue	67,733,727	37,909,691
Profit for the financial year	11,907,936	6,898,045
Total comprehensive income	12,600,410	6,898,045

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of material non-controlling interest (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows (cont'd):

Summarised financial information before intra-group elimination (cont'd):

	Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group") RM	Trackwork and Supplies Sdn. Bhd. ("TWS") RM
Summarised of cash flows information for the financial year ended 30 June 2019		
Cash flows from operating activities	6,675,101	10,626,419
Cash flows from/(used in) investing activities	678,918	(2,788,327)
Cash flows used in financing activities	(4,491,934)	(2,303,933)
Net increase in cash and cash equivalents	2,862,085	5,534,159
Dividends paid/payable to non-controlling interests	3,920,000	–

(d) The shareholders' ageeement for TWS restricts TWS to declare dividends to its shareholders for the financial year ended/ending 30 September 2018 and 30 September 2019 unless their prior written consent are obtained. The assets to which such restriction applied are the cash and cash equivalents of TWS included in the consolidated financial statements amounting to RM7,708,097.

10. INVESTMENT IN AN ASSOCIATE

	Group	
	2020 RM	2019 RM
Unquoted shares, at cost		
At 1 July	181,505	1,661
Share of post acquisition results	(24,023)	181,505
Less: Allowance for impairment loss	–	(1,661)
At 30 June	157,482	181,505

Details of the associate which is incorporated in Malaysia, is as follows:

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest 2020 %	2019 %	Principal activities
Held by SGSB:				
Premium Patents Sdn. Bhd. ("PPSB")	Malaysia	24.99	24.99	Dormant

The Group does not have any material associate.

11. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) relate to the following:

Group	At 1 July 2018 RM	Recognised in equity RM	Recognised in profit or loss RM	Acquisition of subsidiary RM	Exchange differences RM	At 30 June 2019 RM	Recognised in profit or loss RM	Exchange differences RM	At 30 June 2020 RM
Deferred tax assets									
Impairment loss on receivables	485	–	310,607	–	–	311,092	1,030,229	–	1,341,321
Payables/Contract liabilities	3,615,861	–	335,465	–	–	3,951,326	(3,044,680)	–	906,646
Difference between the carrying amounts of property, plant and equipment and their tax base	–	–	–	–	–	–	61,672	–	61,672
Others	(261,712)	(83,884)	–	–	–	(345,596)	809,351	570	464,325
	3,354,634	(83,884)	646,072	–	–	3,916,822	(1,143,428)	570	2,773,964
Deferred tax liabilities									
Property, plant and equipment	(656,796)	–	54,682	–	4,089	(598,025)	(370,360)	(14)	(968,399)
Investment properties	–	–	94,600	–	–	94,600	(94,600)	–	–
Other intangible asset	–	–	774,287	(1,155,551)	–	(381,264)	381,264	–	–
Others	35,114	–	–	–	–	35,114	(49,149)	–	(14,035)
	(621,682)	–	923,569	(1,155,551)	4,089	(849,575)	(132,845)	(14)	(982,434)
	2,732,952	(83,884)	1,569,641	(1,155,551)	4,089	3,067,247	(1,276,273)	556	1,791,530

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	Group 2020 RM	Group 2019 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	2,773,964	3,916,822
Deferred tax liabilities	(982,434)	(849,575)
	1,791,530	3,067,247

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2020 RM	Group 2019 RM
Unutilised tax losses	27,962,937	10,013,223
Unabsorbed capital allowances	1,018,320	38,990
Deductible temporary differences	200,541	906,415
	29,181,798	10,958,628

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unutilised tax losses which are available for offset against future taxable profits of the subsidiaries will expire in the following financial years:

	Group 2020 RM
2026	10,066,770
2027	17,896,167
	27,962,937

12. INVENTORIES

	Group 2020 RM	Group 2019 RM
At cost:		
Consumables	2,574,462	1,691,735
Raw materials	2,517,833	1,280,950
Finished goods	4,903,094	4,928,130
Trading and installation goods	16,990,866	9,788,729
	26,986,255	17,689,544

12. INVENTORIES (CONT'D)

(a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year amounted to RM38,990,123 (2019: RM38,726,704).

(b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value amounted to RM228,415 (2019: RM290,890).

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Current:					
Trade					
Trade receivables	(a)				
- billed		91,796,668	96,740,748	–	–
- unbilled		10,147,453	12,871,717	–	–
Retention sum on contracts		21,654,715	16,931,499	–	–
		123,598,836	126,543,964	–	–
Less: Impairment losses		(22,235,643)	(3,618,499)	–	–
		101,363,193	122,925,465	–	–
Non-trade					
Other receivables		2,343,187	2,283,030	61,656	130,123
Dividend receivable		–	–	2,250,000	3,290,000
Staff loans		686,952	338,644	–	–
GST refundable		531,068	679,880	–	9,853
Deposits		1,543,629	1,716,328	–	–
Prepayments		3,529,205	2,519,146	19,958	8,438
		8,634,041	7,537,028	2,331,614	3,438,414
Less: Impairment losses		(92,715)	(92,715)	–	–
		8,541,326	7,444,313	2,331,614	3,438,414
Total trade and other receivables		109,904,519	130,369,778	2,331,614	3,438,414

(a) **Trade receivables**

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 180 days (2019: 30 to 180 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis. The retention sum is receivable upon the expiring of defect liability period as provided in the contracts with customers.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2020 **RM**	**2019** **RM**
At 1 July	3,618,499	4,827,904
Acquisition of a subsidiary	–	9,711
Charge for the financial year (Note 27)		
- Individually assessed	19,287,729	60,502
Reversal of impairment loss (Note 27)	(3,502)	(1,206,209)
Written off	(763,300)	(73,409)
Exchange difference	96,217	–
At 30 June	22,235,643	3,618,499

The information about the credit exposures are disclosed in Note 32(b)(i) to the financial statements.

14. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2020 **RM**	**2019** **RM**
Contract assets relating to construction contracts	48,304,718	58,201,938
Contract assets relating to maintenance contracts	3,780,831	4,692,838
Contract assets relating to manufacture and supply contracts	6,940,174	5,055,522
Total contract assets	59,025,723	67,950,298
Contract liabilities relating to construction contracts	(11,623,028)	(4,683,047)
Contract liabilities relating to maintenance contracts	(240,955)	(11,122,084)
Contract liabilities relating to manufacture and supply contracts	(859,224)	(251,502)
Total contract liabilities	(12,723,207)	(16,056,633)

14. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(a) Significant changes in contract balances

Group	2020 Contract assets Increase/ (Decrease) RM	2020 Contract liabilities Increase/ (Decrease) RM	2019 Contract assets Increase/ (Decrease) RM	2019 Contract liabilities Increase/ (Decrease) RM
Revenue recognised that was included in contract liability at the beginning of the financial year	–	(14,096,287)	–	(758,725)
Increase due to progress billings and cash received, but revenue not recognised	–	10,762,861	–	7,040,789
Increase due to revenue recognised during the year, but no right to consideration	21,166,541	–	67,950,298	–
Transfer from contract assets recognised at the beginning of the year to receivables	(28,428,478)	–	(54,556,142)	–
Impairment losses of contract assets	(1,662,638)	–	–	–

15. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company 2020 RM	Company 2019 RM
Amount due from subsidiaries	5,193,424	3,454,747
Less: Allowance for impairment loss	(589,756)	(554,307)
	5,323,668	2,900,440
Amount due to subsidiaries	(11,274,459)	(932,486)

(a) The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free, repayable on demand and are expected to be settled in cash except for an amount of RM2,796,022 (2019: RM2,000,611) which bears effective interest rate of 5% (2019: 5%) per annum.

(b) The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free, repayable on demand and are expected to be settled in cash except for an amount of RM11,000,000 (2019: RM Nil) which bears effective interest rate of 5% (2019: 5%) per annum.

15. AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONT'D)

(c) The Company's amounts due from subsidiaries that are impaired at the reporting date and the reconciliation of movement in the impairment of amounts due from subsidiaries is as follows:

	Company	
	2020 RM	2019 RM
At 1 July	554,307	121,428
Charge for the financial year (Note 27)	35,449	432,879
At 30 June	589,756	554,307

16. SHORT-TERM INVESTMENTS

The short-term investments are in respect of investments in unit trust funds placed with fund management companies and are redeemable with one day notice.

17. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	44,731,923	45,056,970	560,316	1,521,389
Short-term deposits	22,988,344	21,472,102	–	–
	67,720,267	66,529,072	560,316	1,521,389

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term deposits	22,988,344	21,472,102	–	–
Less:				
- Pledged deposits	(6,856,790)	(8,795,840)	–	–
	16,131,554	12,676,262	–	–
Cash and bank balances	44,731,923	45,056,970	560,316	1,521,389
	60,863,477	57,733,232	560,316	1,521,389

The interest rate and maturity period of deposits are as follows:

	Group	
	2020	2019
Interest rate per annum (%)	0.58% to 3.55%	0.35% to 3.55%
Maturity period (days)	1 day to 365 days	1 day to 365 days

Included in deposits placed with licensed banks of the Group is an amount of RM6,856,790 (2019: RM8,795,840) which have been pledged to banks for credit facilities granted to certain subsidiaries as disclosed in Note 21(a) to the financial statements.

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2020 Unit	2019 Unit	2020 RM	2019 RM
Issued and fully paid up:				
At 1 July	296,304,081	272,775,094	110,847,394	94,841,433
Issuance of shares pursuant to:				
- share options exercised	2,780,540	4,241,836	1,416,968	2,415,961
- acquisition of a subsidiary	–	19,287,151	–	13,590,000
At 30 June	299,084,621	296,304,081	112,264,362	110,847,394

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued 2,780,540 new ordinary shares for cash pursuant to the exercise of the Company's Employees' Share Option Scheme ("ESOS") at exercise prices between RM0.237 to RM0.423 per ordinary share.

In the previous financial year, the Company issued:

(i) 4,241,436 new ordinary shares for cash pursuant to the exercise of the Company's Employees' Share Option Scheme ("ESOS") at exercise prices between RM0.336 to RM0.751 per ordinary share; and

(ii) 19,287,151 new ordinary shares as part of the purchase consideration for acquisition of 60% controlling interest in the equity shares of Trackwork & Supplies Sdn. Bhd.

The new ordinary shares issued in the previous financial year rank pari passu in all respects with the existing ordinary shares of the Company.

19. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirements of Section 127 of the Companies Act 2016 in Malaysia.

The directors of the Company are committed to enhance the value of the Company and its shareholders and believe that the share repurchase plan can be executed in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,301,900 of its issued ordinary shares from the open market on Bursa Malaysia Securities Berhad. The average price paid for the shares repurchased was approximately RM0.33 (2019: Nil) per share including transaction costs.

As at 30 June 2020, the Company held 4,628,700 (2019: 3,326,800) treasury shares out of its 299,804,621 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,287,081. There was no resale, cancellation or distribution of treasury shares during the financial year.

20. OTHER RESERVES

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Merger relief	(a)	–	–	12,522,542	12,522,542
Translation reserve	(b)	5,515,898	5,192,305	–	–
Revaluation reserve	(c)	4,023,587	4,023,587	–	–
Share option reserve	(d)	670,468	1,071,815	670,468	1,071,815
		10,209,953	10,287,707	13,193,010	13,594,357

(a) Merger relief

Merger relief relates to the excess of fair value of shares issued by the Company for the acquisition of the subsidiaries over the par value of these shares.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Revaluation reserve

The revaluation reserve is used to record revaluation surplus from freehold buildings in property, plant and equipment, net of deferred tax. In the event of sale of any of the assets, the balance in the reserve in relation to that asset is transferred to retained earnings.

(d) Share option reserve

The share option reserve comprises the cumulative value of eligible directors and employee services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

On 1 October 2015, the shareholders approved the implementation of an ESOS, the main features of which are as follows:

(i) The ESOS shall be in force for a period of five years from the date of implementation and may be extended or renewed (as the case may be) for a further period of five years at the sole and absolute discretion of the directors upon recommendation of the ESOS Committee provided that the initial period of five years and such extension made shall not in aggregate exceed a duration of ten years from the date of implementation.

(ii) Natural persons who are eligible under the ESOS include executive and non-executive Directors and employees of the Group who are at least eighteen years of age whose employment with the Group has been confirmed in writing. For the case of non Malaysian citizens, participation in the ESOS shall be determined at the sole and absolute discretion of the ESOS Committee.

(iii) The aggregate number of shares to be offered under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at the date of offer or such other percentage of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) as may be permitted by the relevant authorities from time to time during the duration of the ESOS.

20. OTHER RESERVES (CONT'D)

(d) Share option reserve (cont'd)

On 1 October 2015, the shareholders approved the implementation of an ESOS, the main features of which are as follows (cont'd):

(iv) The subscription price for each share under the ESOS shall, subject always to the by-laws, be the higher of the volume weighted average market price of the shares for the five market days immediately preceding the date of offer, with a discount of not more than 10%, or any such other percentage of discounts as may be permitted by the authorities from time to time during the duration of the ESOS or the par value of the share at the date of offer.

(v) The number of shares under option and the option price may be adjusted as a result of any alteration in the capital structure of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, if any, made by the Company while an option remains unexercised.

(vi) Options granted under the ESOS can be exercised by the grantee by notice in writing to the Company during the option period in the prescribed form in multiples of one hundred shares or in any other denomination as prescribed by the authorities as a board lot.

(vii) No person who is participating in the ESOS will be entitled to participate in more than one employee share options scheme currently implemented by any company within the Group.

Extension of ESOS

On 25 February 2020, the Company extended its existing ESOS which is expiring on 8 October 2020 for another five (5) years until 8 October 2025, in accordance with the terms of the ESOS By-Laws. The extension is not subject to the approval from Bursa Malaysia Securities Berhad, Securitites Commission and shareholders of the Company.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options:

	Number 2020 RM	WAEP 2020 RM	Number 2019 RM	WAEP 2019 RM
Group and Company				
At 1 July	12,666,972	0.526	17,868,008	0.477
Granted	4,185,000	0.237	900,000	0.751
Exercised	(2,780,540)	0.344	(4,241,836)	0.396
Lapsed	(1,981,900)	0.600	(1,859,200)	0.583
At 30 June	12,089,532	0.436	12,666,972	0.526
Exerciseable at the end of the financial year	12,089,532	0.436	12,666,972	0.526

20. OTHER RESERVES (CONT'D)

(d) Share option reserve (cont'd)

The options outstanding at 30 June 2020 have exercise price ranging from RM0.237 to RM0.751 (2019: RM0.336 to RM0.751) and the weighted average remaining contractual life for the share options outstanding at 2020 was approximately 5.28 years (2019: 1.28 years).

The weighted average share price at the date of exercise of the options during the financial year was RM0.589 (2019: RM0.752).

The fair value of the share options granted during the financial year was determined using a binomial option pricing model, and the inputs were:

	2020 Sixth grant	2019 Fifth grant
Share price (RM)	0.29	0.85
Exercise price (RM)	0.24	0.75
Expected volatility (%)	48.35	34.97
Risk-free interest rate (%)	3.44	3.41
Expected dividend yield (%)	2.56	2.56
Expected option life (years)	5.52	2.04

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(e) Warrants reserve

In the previous financial year, the Company allotted and issued 56,824,679 free warrants in connection with the Bonus Issue of free warrants constituted under the deed poll dated 6 December 2018.

The salient features of the warrants are as follows:

(i) entitles its registered holders to subscribe for one (1) new ordinary share at the exercise price during the exercise period;
(ii) the exercise price is RM0.88 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
(iii) the warrants may be exercised at any time for a period of 2 years commencing on and including 26 December 2021 ("exercise period"). Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

The movement of the warrants during the financial year is as follows:

	Number of warrants				
	At 1 July 2019	Allotment	Exercised	Lapsed	At 30 June 2020
Warrants	56,824,679	–	–	–	56,824,679

21. LOANS AND BORROWINGS

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current:					
Term loans	(a)	19,135,369	14,217,410	–	–
Finance lease liabilities	(b)	–	2,091,226	–	–
		19,135,369	16,308,636	–	–
Current:					
Term loans	(a)	5,511,842	3,542,917	–	–
Finance lease liabilities	(b)	–	1,070,107	–	–
Revolving credits	(c)	3,000,000	17,475,000	1,500,000	17,000,000
Trade loan	(d)	3,125,200	1,269,503	–	–
		11,637,042	23,357,527	1,500,000	17,000,000
Total loans and borrowings:					
Term loans	(a)	24,647,211	17,760,327	–	–
Finance lease liabilities	(b)	–	3,161,333	–	–
Revolving credits	(c)	3,000,000	17,475,000	1,500,000	17,000,000
Trade loan	(d)	3,125,200	1,269,503	–	–
		30,772,411	39,666,163	1,500,000	17,000,000

(a) Term loans

The term loans bear interest at rates ranging from 3.79% to 7.70% (2019: 4.79% to 8.31%) per annum and are secured and supported as follows:

(i) Legal Deed of Assignment of contract proceeds from certain projects awarded to a subsidiary by the Federal Government (represented by the Ministry of Works);
(ii) Lien on the deposits with licensed banks and the accumulation of interest thereon as disclosed in Note 17 to the financial statements;
(iii) Corporate guarantee by the Company; and
(iv) Credit Guarantee Corporation (M) Bhd's ("CGC") guarantee under the Portfolio Guarantee Scheme.

The repayment period of term loans is as follows:

	Group 2020 RM	Group 2019 RM
Not later than one year	5,511,842	3,542,917
Later than one year but not later than two years	5,475,907	3,134,597
Later than two years but not later than five years	13,659,462	10,011,338
Later than five years	–	1,071,475
	24,647,211	17,760,327

21. LOANS AND BORROWINGS (CONT'D)

(b) Finance lease liabilities

Finance lease liabilities bear interest at rates ranging from Nil (2019: 2.34% to 4.20%) per annum.

Future minimum lease payments under finance leases together with the present value of minimum lease payments are as follows:

	Group	
	2020 RM	**2019 RM**
Minimum lease payments:		
Not later than one year	–	1,207,220
Later than one year but not later than five years	–	2,238,275
	–	3,445,495
Less: Future finance charges	–	(284,158)
Present value of minimum lease payments	–	3,161,337
Present value of minimum lease payments payable:		
Not later than one year	–	1,070,107
Later than one year but not later than five years	–	2,091,226
	–	3,161,333
Less: Amount due within 12 months	–	(1,070,107)
Amount due after 12 months	–	2,091,226

(c) Revolving credits

Revolving credits bear interest at rates ranging from 3.99% to 5.52% (2019: 5.18% to 5.56%) per annum and are secured and supported as follows:

(i) Corporate guarantee by the Company and certain subsidiaries;
(ii) Letter of negative pledge by the Company;
(iii) Blanket Counter Indemnity from the Company and certain subsidiaries; and
(iv) Legal charge over the freehold buildings of a subsidiary as disclosed in Note 5 and Note 7 to the financial statements.

(d) Trade loan

Trade loan bears interest at rates ranging from 3.00% to 4.01% (2019: 3.00% to 7.25%) per annum and is secured by a corporate guarantee by the Company.

22. LEASE LIABILITIES

	Group 2020 RM	2019 RM
Non-current		
Lease liabilities	2,009,899	–
Current		
Lease liabilities	2,360,707	–
	4,370,606	–

Certain motor vehicles of the Group as disclosed in Note 6 to the financial statements are pledged under finance lease or hire purchase arrangements. The range of interest rates implicit in the leases is from 3.62% to 5.85% (2019: Nil) per annum.

The weighted average incremental borrowing rate of the Group applied to other lease liabilities is 5.02% (2019: Nil) per annum.

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group 2020 RM	2019 RM
Minimum lease payments:		
Not later than one year	2,527,988	–
Later than one year but not later than five years	2,081,358	–
Later than five years	44,797	–
	4,654,143	–
Less: Future finance charges	(283,537)	–
Present value of minimum lease payments	4,370,606	–
Present value of minimum lease payments payable:		
Not later than one year	2,360,707	–
Later than one year but not later than five years	1,966,930	–
Later than five years	42,969	–
	4,370,606	–
Less: Amount due within 12 months	(2,360,707)	–
Amount due after 12 months	2,009,899	–

23. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current:					
Non-trade					
Provision for retirement benefit obligation	(a)	352,508	352,508	–	–
		352,508	352,508	–	–
Current:					
Trade					
Trade payables	(b)	35,514,429	34,294,727	–	–
Retention sum on contracts		3,370,102	1,955,150	–	–
Project accruals		17,581,317	16,461,537	–	–
		56,465,848	52,711,414	–	–
Non-trade					
Other payables		2,137,705	2,422,222	14,623	–
Dividend payable to non-controlling interests		2,250,000	1,710,000	–	–
GST payable		–	81,575	–	–
Consideration/Contingent consideration payable		5,968,736	4,887,905	5,968,736	4,887,905
Accruals		13,868,736	12,749,788	637,686	518,591
		24,225,177	21,851,490	6,621,045	5,406,496
		80,691,025	74,562,904	6,621,045	5,406,496
Total trade and other payables (non-current and current)		81,043,533	74,915,412	6,621,045	5,406,496

(a) The Group operates an unfunded, non-contributory defined benefit retirement scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement contribution at agreed basis for each completed year of service attainment of the retirement age of 60, without cessation of employment prior to age 65.

(b) Trade payables are non-interest bearing and are normally with credit period ranging from 30 to 90 days (2019: 30 to 90 days). The retention sum is payable upon the expiry of defect liability period.

24. EMPLOYEE BENEFITS

	Group 2020 RM	Group 2019 RM
At 1 July	772,800	586,427
Recognised in profit or loss (Note 27)	90,338	170,379
Exchange difference	29,733	15,994
At 30 June	892,871	772,800

Employee benefits represent the amounts required to cover end of service benefits at the reporting date. The amounts are computed pursuant to the applicable Labour Law in United Arab Emirates based on the employees' accumulated period of service and basic remuneration at the end of reporting period.

25. REVENUE

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue from contract with customers:				
Construction contracts	80,294,676	138,197,928	–	–
Design, manufacture and supply contracts	12,941,937	5,055,522	–	–
Sale of goods	42,194,741	40,960,207	–	–
Rendering of services	178,174,152	147,137,440	–	–
Commission income	1,448,994	1,292,954	–	–
Management fees	–	–	1,780,000	1,500,000
	315,054,500	332,644,051	1,780,000	1,500,000
Revenue from other source:				
Dividend income	–	–	11,130,000	8,330,000
	315,054,500	332,644,051	12,910,000	9,830,000

(a) Disaggregation of revenue

The Group reports the following major segments: facilities, engineering, environment, rail in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into primary geographical markets, products or services and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

25. REVENUE (CONT'D)

(a) Disaggregation of revenue (cont'd)

	Facilities RM	Engineering RM	Environment RM	Rail RM	Total RM
Group					
2020					
Primary geographical markets:					
Malaysia	163,223,852	44,545,429	24,917,176	35,478,548	268,165,005
Singapore	–	16,214,576	18,538,631	–	34,753,207
United Arab Emirates, Abu Dhabi	–	–	12,136,288	–	12,136,288
	163,223,852	60,760,005	55,592,095	35,478,548	315,054,500
Products or services					
Refurbishment services	9,566,995	–	–	–	9,566,995
Air-conditioning and building automation	–	5,251,560	–	–	5,251,560
Automated pneumatic waste collection system	–	–	38,980,934	–	38,980,934
Mechanical and electrical engineering works	–	26,495,186	–	–	26,495,186
Sale of goods	–	13,251,610	9,618,889	32,266,179	55,136,678
Maintenance services	153,656,857	15,761,649	6,992,272	1,763,374	178,174,152
Commission income	–	–	–	1,448,995	1,448,995
	163,223,852	60,760,005	55,592,095	35,478,548	315,054,500
Timing of revenue recognition:					
At a point in time	–	13,251,610	9,618,889	22,536,611	45,407,110
Over time	163,223,852	47,508,395	45,973,206	12,941,937	269,647,390
	163,223,852	60,760,005	55,592,095	35,478,548	315,054,500

25. REVENUE (CONT'D)

(a) Disaggregation of revenue (cont'd)

	Facilities RM	Engineering RM	Environment RM	Rail RM	Total RM
Group					
2019					
Primary geographical markets:					
Malaysia	158,146,558	51,338,441	29,049,036	37,909,690	276,443,725
Singapore	–	17,515,634	22,050,285	–	39,565,919
United Arab Emirates, Abu Dhabi	–	–	16,634,407	–	16,634,407
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051
Products or services					
Refurbishment services	35,918,799	–	–	–	35,918,799
Air-conditioning and building automation	–	22,966,643	–	–	22,966,643
Automated pneumatic waste collection system	–	–	53,794,466	–	53,794,466
Mechanical and electrical engineering works	–	25,518,020	–	–	25,518,020
Sale of goods	–	14,144,953	226,200	31,644,576	46,015,729
Maintenance services	122,227,759	6,224,459	13,713,062	4,972,160	147,137,440
Commission income	–	–	–	1,292,954	1,292,954
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051
Timing of revenue recognition:					
At a point of time	–	14,144,953	226,200	32,854,168	47,225,321
Over time	158,146,558	54,709,122	67,507,528	5,055,522	285,418,730
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051

25. REVENUE (CONT'D)

(b) Transaction price allocated to the remaining performance obligations

As of 30 June 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation is RM843.61 million (RM968.68 million) and the Group will recognise this revenue as the construction are completed or services are performed, which is expected to occur over the next 5 years (2019: 5 years).

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

26. FINANCE COSTS/(INCOME), NET

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expenses on:				
- Amount due to a subsidiary	–	–	70,685	–
- Factoring charges	6,336	38,280	–	–
- Finance lease liabilities	–	163,195	–	–
- Lease liabilities	266,412	–	–	–
- Revolving credits and trade loan	960,692	566,908	799,606	436,998
- Term loans	884,468	760,296	–	–
	2,117,908	1,528,679	870,291	436,998
Income from short-term investments	(726,660)	(409,907)	(26,411)	(12,894)
Interest income from advances to subsidiaries	–	–	(91,973)	(100,031)
Interest income from banks	(1,040,112)	(1,294,367)	(1,920)	(15,312)
Finance costs/(income), net	351,136	(175,595)	749,987	308,761

27. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Amortisation of intangible asset	1,043,828	3,226,196	–	–
Auditors' remuneration:				
- statutory audit:				
- current year	396,380	407,185	75,000	75,000
- prior year	10,705	(4,493)	–	–
- other services	25,000	10,000	10,000	10,000
Bad debt recovered	–	(48,394)	–	(48,394)
Bad debt written off	73,185	73,409	–	–
Depreciation of property, plant and equipment	1,709,660	2,889,743	18,832	21,475
Depreciation of right-of-use assets	2,789,029	–	–	–
Directors' fees	154,000	151,500	154,000	151,500
Employee benefits expense (Note 28)	78,738,657	75,881,038	1,505,110	1,366,952
Expenses relating to short-term leases	1,301,776	–	42,000	–
Fair value gain on investment properties	–	(80,000)	–	–
Fair value loss on consideration/ contingent consideration payable	1,080,831	–	1,080,831	–
Foreign exchange loss/(gain)				
- realised	318,427	151,392	–	–
- unrealised	(259,417)	(242,529)	–	–
Gain on disposal of property, plant and equipment	(95,782)	(166,243)	–	–
Gain on disposal of right-of-use assets	(17,675)	–	–	–
Impairment losses on:				
- amount due from subsidiaries	–	–	35,449	432,879
- contract assets	1,662,638	–	–	–
- goodwill	13,751,382	–	–	–
- investment in subsidiaries	–	–	36,474,613	3,247,111
- trade receivables	19,287,729	60,502	–	–
Inventories written down to net realisable value	228,415	290,890	–	–
Property, plant and equipment written off	5,185	3,490	–	–
Provision for employee benefits	90,338	170,379	–	–
Rent concession income	(18,150)	–	–	–
Rental expenses for:				
- premises	–	1,474,335	–	42,000
- motor vehicles	–	19,044	–	–
Right-of-use assets written off	61,779	–	–	–
Rental income from investment properties	(227,080)	(258,480)	–	–
Rental income from plant and machinery	(52,140)	(54,269)	–	–
Reversal of impairment losses on trade receivables	(3,502)	(1,206,209)	–	–
Reversal of short-term accumulating compensated absences	–	(9,959)	–	–

28. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, wages, bonus and allowances	69,078,176	66,500,032	1,080,298	900,167
Defined contribution plan	6,634,508	6,084,800	116,413	91,561
Social security costs	697,433	659,241	2,770	2,770
Employees' Share Option Scheme	432,202	641,849	98,964	216,027
Other staff related expenses	1,896,338	1,995,116	206,665	156,427
	78,738,657	75,881,038	1,505,110	1,366,952
Included in employee benefits expenses are:				
Directors' other emoluments	10,138,891	8,991,409	154,000	151,500

Remuneration in the form of benefits-in-kind for the Executive Director of the Group for the financial year amounted to RM194,404 (2019:RM169,792).

29. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 30 June 2020 and 30 June 2019 are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax:				
Current financial year	6,774,064	9,542,077	394,317	195,514
Under provision in prior financial years	72,483	558,507	19,949	13,176
	6,846,547	10,100,584	414,266	208,690
Deferred tax:				
Origination of temporary differences	1,125,763	(703,559)	–	–
Derecognition of deferred tax assets	–	302,550	–	–
Over provision in prior financial years	150,510	(1,168,632)	–	–
	1,276,273	(1,569,641)	–	–
	8,122,820	8,530,943	414,266	208,690

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to the subsidiaries in Singapore was 17% (2019: 17%).

29. INCOME TAX EXPENSE (CONT'D)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit before tax	(7,167,027)	37,598,494	(28,100,307)	3,220,124
Tax at Malaysian statutory income tax rate of 24% (2019: 24%)	(1,720,086)	9,023,639	(6,744,074)	772,830
Different tax rates in other countries	(234,701)	(676,124)	–	–
Tax effects arising from:				
- non-taxable income	(351,770)	(2,083,379)	(2,677,539)	(2,010,838)
- non-deductible expenses	5,896,612	2,117,210	9,815,930	1,433,522
Tax effect of partial tax exemption	–	(52,624)	–	–
Tax effect of lower tax rate	–	(52,394)	–	–
Deferred tax assets not recognised	4,309,772	467,590	–	–
Reversal of previously recognised deferred tax assets	–	302,550	–	–
Change in Real Property Gain Tax rate on fair value surplus of investment properties	–	94,600	–	–
Under/(Over) provision in prior years				
- current tax	72,483	558,507	19,949	13,176
- deferred tax	150,510	(1,168,632)	–	–
Income tax expense	8,122,820	8,530,943	414,266	208,690

30. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding (net of treasury shares) during the financial year, calculated as follows:

	2020 RM	2019 RM
(Loss)/Profit for the financial year attributable to owners of the Company	(18,768,920)	21,375,234
Weighted average number of ordinary shares for basic earnings per share	293,240,073	283,036,788
Basic (loss)/earnings per ordinary share	(6.40)	7.55

Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary share outstanding (net of treasury shares) during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	2020 RM	2019 RM
(Loss)/Profit for the financial year attributable to owners of the Company	(18,768,920)	21,375,234
Weighted average number of ordinary shares for basic earnings per share	293,240,073	283,036,788
Effect of dilution from:		
- Share options	*	3,932,501
- Warrants	#	#
Weighted average number of ordinary shares for diluted earnings per share	293,240,073	286,969,289
Diluted (loss)/earnings per ordinary share	(6.40)*	7.45

\# *The unexercised warrants has no dilutive effect on the (loss)/earnings per share given the warrants' exercise price is higher than the market price per ordinary share.*

* *The diluted loss per share of the Company is the same as the basic loss per ordinary share of the Company as the potential ordinary shares are anti-dilutive.*

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements other than the issuance of 159,400 ordinary shares pursuant to the exercise of ESOS.

31. DIVIDENDS

	Group/Company 2020 RM	2019 RM
Dividend in respect of the financial year ended 30 June 2018		
Final single-tier dividend of 0.5 sen per share on 284,127,800 ordinary shares	–	1,420,639
Dividend in respect of the financial year ended 30 June 2019		
Interim single-tier dividend of 0.5 sen per share on 292,689,800 ordinary shares	–	1,463,449
Final single-tier dividend of 1.0 sen per share on 294,417,100 ordinary shares	2,944,171	–
Dividend in respect of the financial year ended 30 June 2020		
Interim single-tier dividend of 0.5 sen per share on 295,579,400 ordinary shares	1,477,897	–
	4,422,068	2,884,088

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instuments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost
(ii) Fair value through profit or loss

	Carrying amount RM	Amortised cost RM	Fair value through profit or loss RM
2020			
Financial assets			
Group			
Trade and other receivables *	105,844,246	105,844,246	–
Short-term investments	18,940,524	–	18,940,524
Cash and short-term deposits	67,720,267	67,720,267	–
	192,505,037	173,564,513	18,940,524

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (cont'd)

The following table analyses the financial instuments in the statements of financial position by the classes of financial instruments to which they are assigned (cont'd):

	Carrying amount RM	Amortised cost RM	Fair value through profit or loss RM
2020			
Financial assets			
Company			
Trade and other receivables *	2,311,656	2,311,656	–
Amount due from subsidiaries	5,323,668	5,323,668	–
Short-term investments	339,305	–	339,305
Cash and short-term deposits	560,316	560,316	–
	8,534,945	8,195,640	339,305
2020			
Financial liabilities			
Group			
Loans and borrowings	30,772,411	30,772,411	–
Lease liabilities	4,370,606	4,370,606	–
Trade and other payables #	80,691,025	80,691,025	–
	115,834,042	115,834,042	–
Company			
Loans and borrowings	1,500,000	1,500,000	–
Trade and other payables #	6,621,045	6,621,045	–
Amount due to subsidiaries	11,274,459	11,274,459	–
	19,395,504	19,395,504	–

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (cont'd)

The following table analyses the financial instuments in the statements of financial position by the classes of financial instruments to which they are assigned (cont'd):

	Carrying amount RM	Amortised cost RM	Fair value through profit or loss RM
2019			
Financial assets			
Group			
Trade and other receivables *	127,170,752	127,170,752	–
Short-term investments	11,513,864	–	11,513,864
Cash and short-term deposits	66,529,072	66,529,072	–
	205,213,688	193,699,824	11,513,864
Company			
Trade and other receivables *	3,420,123	3,420,123	–
Amount due from subsidiaries	2,900,440	2,900,440	–
Short-term investments	412,894	–	412,894
Cash and short-term deposits	1,521,389	1,521,389	–
	8,254,846	7,841,952	412,894
2019			
Financial liabilities			
Group			
Loans and borrowings	39,666,163	39,666,163	–
Trade and other payables #	74,481,329	74,481,329	–
	114,147,492	114,147,492	–
Company			
Loans and borrowings	17,000,000	17,000,000	–
Trade and other payables #	5,406,496	5,406,496	–
Amount due to subsidiaries	932,486	932,486	–
	23,338,982	23,338,982	–

* *Exclude GST refundable and prepayments*
\# *Exclude GST payable and provision for retirement benefit obligation*

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company may use derivative financial instruments, such as, forward foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit and risk management committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determines the credit risk concentration of its trade receivables and contract assets by major segments on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and contract assets at the reporting date are as follows:

Trade receivables:

	2020 RM	%	2019 RM	%
Group				
Facilities	35,406,551	35%	40,349,410	33%
Engineering	24,400,747	24%	38,393,206	31%
Environment	25,748,681	25%	28,912,311	24%
Rail	15,807,214	16%	15,270,538	12%
	101,363,193	100%	122,925,465	100%

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Credit risk concentration profile (cont'd)

Contract assets:

	2020 RM	%	2019 RM	%
Group				
Facilities	30,536,838	52%	32,427,873	48%
Engineering	9,082,666	15%	13,609,312	20%
Environment	12,466,045	21%	16,857,591	25%
Rail	6,940,174	12%	5,055,522	7%
	59,025,723	100%	67,950,298	100%

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss ("ECL") allowance for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The determination of ECL also incorporates economic conditions during the period of historical data, current conditions and forward-looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

For services and construction contracts, as there are only a few customers, the Group assesses the risk of each customer individually based on their financial capability, past trend of payments and other external information relating to the customers that are publicly available.

The information about the credit risk exposure on the Group's trade receivables and contract assets as at 30 June 2020 and 30 June 2019 are as follows:

	Gross carrying amount RM	ECL allowance RM	Net balance RM
Group			
At 30 June 2020			
Trade receivables			
Current (not past due)	53,222,849	–	53,222,849
1 to 90 days past due	17,569,078	–	17,569,078
91 to 180 days past due	14,917,194	–	14,917,194
181 to 365 days past due	16,483,423	–	16,483,423
Credit impaired:			
- Individually assessed	22,235,643	(22,235,643)	–

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Credit risk concentration profile (cont'd)

The information about the credit risk exposure on the Group's trade receivables and contract assets as at 30 June 2020 and 30 June 2019 are as follows (cont'd):

	Gross carrying amount RM	ECL allowance RM	Net balance RM
Contract assets			
Current (not past due)	59,025,723	–	59,025,723
Credit impaired:			
- Individually assessed	1,662,638	(1,662,638)	–
	185,116,548	(23,898,281)	161,218,267
At 30 June 2019			
Trade receivables			
Current (not past due)	71,467,264	–	71,467,264
1 to 90 days past due	25,170,426	–	25,170,426
91 to 180 days past due	3,861,743	–	3,861,743
181 to 365 days past due	22,426,032	–	22,426,032
Credit impaired:			
- Individually assessed	3,618,499	(3,618,499)	–
Contract assets			
Current (not past due)	67,950,298	–	67,950,298
	194,494,262	(3,618,499)	190,875,763

The significant changes in the gross carrying amounts of trade receivables and contract assets do not contribute to changes in the impairment loss allowance during the financial year.

Other receivables and other financial assets

For other receivables and other financial assets (including short-term investments, cash and short-term deposits, and amount due from subsidiaries), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other receivables and other financial assets (cont'd)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries in determining the recoverability of intercompany balances. The advances to subsidiaries are repayable on demand. For such advances, expected credit losses are assessed based on the assumption that repayment of the advances is demanded at the reporting date. If the subsidiaries do not have sufficient liquid reserves when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the advances.

Other than credit-impaired other receivables, the Group and the Company consider these financial assets to have low credit risk. As at the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets, which if any, is negligible, other than those as disclosed in Note 13 to the financial statements.

Refer to Note 3.12(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantees

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM30,772,411 (2019: RM36,504,830) representing the maximum amount the Company could pay if the guarantees are called on as disclosed in Note 32(b)(ii) to the financial statements. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantees.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantees are provided as credit enhancements to the subsidiaries' secured borrowings.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, lease liabilities and loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group and the Company also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturities at the reporting date are based on contractual undiscounted repayment obligations as follows:

		< ---------- Contractual cash flows			---------- >
	Carrying amount RM	On demand or within one year RM	Between one to five years RM	More than five years RM	Total RM
Group					
2020					
Trade and other payables	80,691,025	80,691,025	–	–	80,691,025
Term loans	24,647,211	6,584,030	20,806,947	–	27,390,977
Revolving credits	3,000,000	3,000,000	–	–	3,000,000
Trade loan	3,125,200	3,125,200	–	–	3,125,200
Lease liabilities	4,370,606	2,521,180	2,078,571	54,392	4,654,143
	115,834,042	95,921,435	22,885,518	54,392	118,861,345
2019					
Trade and other payables	74,481,329	74,481,329	–	–	74,481,329
Term loans	17,760,327	4,323,562	9,060,009	6,796,677	20,180,248
Finance lease liabilities	3,161,333	1,207,220	2,238,275	–	3,445,495
Revolving credits	17,475,000	17,475,000	–	–	17,475,000
Trade loan	1,269,503	1,269,503	–	–	1,269,503
	114,147,492	98,756,614	11,298,284	6,796,677	116,851,575

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis (cont'd)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturities at the reporting date are based on contractual undiscounted repayment obligations as follows (cont'd):

	Carrying amount RM	< ------------ Contractual cash flows ------------ > On demand or within one year RM	Between one to five years RM	Total RM
Company				
2020				
Trade and other payables	6,621,045	6,621,045	–	6,621,045
Amount due to subsidiaries	11,274,459	11,274,459	–	11,274,459
Revolving credits	1,500,000	1,500,000	–	1,500,000
Financial guarantee contracts	–	30,772,411	–	30,772,411
	19,395,504	50,167,915	–	50,167,915
2019				
Trade and other payables	5,406,496	5,406,496	–	5,406,496
Amount due to subsidiaries	932,486	932,486	–	932,486
Revolving credits	17,000,000	17,000,000	–	17,000,000
Financial guarantee contracts	–	36,504,830	–	36,504,830
	23,338,982	59,843,812	–	59,843,812

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. In addition, the Group and the Company also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	SGD RM	USD RM	AED RM	CNY RM	AUD RM	EURO RM	SEK RM	MYR RM	Total RM
Group									
2020									
Financial assets									
Trade and other receivables	4,541,617	11,962	10,832,581	3,399	1,214,134	1,330,309	–	87,910,244	105,844,246
Short-term investments	–	–	–	–	–	–	–	18,940,524	18,940,524
Cash and short-term deposits	20,021,222	389,400	4,502,793	–	855	38,192	–	42,767,805	67,720,267
	24,562,839	401,362	15,335,374	3,399	1,214,989	1,368,501	–	149,618,573	192,505,037

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (cont'd):

	SGD RM	USD RM	AED RM	CNY RM	AUD RM	EURO RM	SEK RM	MYR RM	Total RM
Group (cont'd) **2020 (cont'd)**									
Financial liabilities									
Trade and other payables	6,577,881	841,754	1,056,507	3,134,651	–	1,733,381	1,514,630	65,832,221	80,691,025
Term loans	–	–	–	–	–	–	–	24,647,211	24,647,211
Revolving credits	–	–	–	–	–	–	–	3,000,000	3,000,000
Trade loan	3,021,682	–	–	–	–	103,518	–	–	3,125,200
Lease liabilities	830,649	–	–	–	–	–	–	3,539,957	4,370,606
	10,430,212	841,754	1,056,507	3,134,651	–	1,836,899	1,514,630	97,019,389	115,834,042
Net financial assets/ (liabilities)	14,132,627	(440,392)	14,278,867	(3,131,252)	1,214,989	(468,398)	(1,514,630)	52,599,184	76,670,995
Less: Net financial assets denominated in the entity's functional currency	(14,132,627)	–	(14,278,867)	–	–	–	–	(52,599,184)	(81,010,678)
Currency exposure	–	(440,392)	–	(3,131,252)	1,214,989	(468,398)	(1,514,630)	–	(4,339,683)

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (cont'd):

	SGD RM	USD RM	AED RM	CNY RM	AUD RM	EURO RM	SEK RM	MYR RM	Total RM
Group 2019									
Financial assets									
Trade and other receivables	14,250,407	5,689	12,421,315	–	18,344	2,060,497	–	98,414,500	127,170,752
Short-term investments	–	–	–	–	–	–	–	11,513,864	11,513,864
Cash and short-term deposits	14,475,908	12,490	3,250,075	–	–	–	–	48,790,599	66,529,072
	28,726,315	18,179	15,671,390	–	18,344	2,060,497	–	158,718,963	205,213,688
Financial liabilities									
Trade and other payables	4,060,824	28,888	1,117,937	2,971,151	18,344	2,056,734	1,745,773	62,481,678	74,481,329
Term loans	–	–	–	–	–	–	–	17,760,327	17,760,327
Finance lease liabilities	494,689	–	–	–	–	–	–	2,666,644	3,161,333
Revolving credits	–	–	–	–	–	–	–	17,475,000	17,475,000
Trade loan	–	–	–	–	–	307,732	961,771	–	1,269,503
	4,555,513	28,888	1,117,937	2,971,151	18,344	2,364,466	2,707,544	100,383,649	114,147,492

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (cont'd):

	SGD RM	USD RM	AED RM	CNY RM	AUD RM	EURO RM	SEK RM	MYR RM	Total RM
Group (cont'd) **2019 (cont'd)**									
Net financial assets/ (liabilities)	24,170,802	(10,709)	14,553,453	(2,971,151)	–	(303,969)	(2,707,544)	58,335,314	91,066,196
Less: Net financial assets denominated in the entity's functional currency	(24,170,802)	–	(14,553,453)	–	–	–	–	(58,335,314)	(97,059,569)
Currency exposure	–	(10,709)	–	(2,971,151)	–	(303,969)	(2,707,544)	–	(5,993,373)

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, CNY, EURO and SEK.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, CNY, EURO and SEK, with all other variables held constant on the Group's total equity and (loss)/profit for the financial year.

	Change in rate %	Effect on (loss)/profit for the financial year RM	Effect on equity RM
2020			
- USD	+5%	16,735	16,735
	-5%	(16,735)	(16,735)
- CNY	+5%	118,988	118,988
	-5%	(118,988)	(118,988)
- AUD	+5%	(46,170)	(46,170)
	-5%	46,170	46,170
- EURO	+5%	17,799	17,799
	-5%	(17,799)	(17,799)
- SEK	+5%	57,556	57,556
	-5%	(57,556)	(57,556)
2019			
- USD	+5%	(407)	(407)
	-5%	407	407
- CNY	+5%	(112,904)	(112,904)
	-5%	112,904	112,904
- EURO	+5%	(11,551)	(11,551)
	-5%	11,551	11,551
- SEK	+5%	(102,887)	(102,887)
	-5%	102,887	102,887

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings with floating interest rates.

The Group and the Company actively review their debt portfolio, taking into account the investment holding period and nature of their assets.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 (2019: 50) basis points higher/lower and all other variables held constant, the Group's and the Company's (loss)/profit for the year and equity would decrease/increase by RM116,935 (2019: RM138,718) and RM5,700 (2019: RM64,600) respectively as a result of exposure to floating rate loans and borrowings.

(c) Fair value measurement

The carrying amounts of cash and short-term deposits, short-term receivables and payables and short-term borrowings are reasonable approximation of their fair values due to the relatively short-term nature of these financial instruments.

The fair value of short-term investments is determined by reference to the redemption price at the reporting date.

The carrying amount of long term floating rate loans are reasonable approximation of fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease liabilities is estimated using discounted cash flows analysis, based on current lending rate for similar types of borrowings.

The carrying amounts of financial assets and liabilities recognised in the financial statements are reasonable approximation of their fair value except for finance lease liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 during the financial year (2019: no transfer in either directions).

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value measurement (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

		Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group									
2020									
Financial asset									
Short-term investments	18,940,524	18,940,524	–	–	18,940,524	–	–	–	–
2019									
Financial asset									
Short-term investments	11,513,864	11,513,864	–	–	11,513,864	–	–	–	–
Financial liability									
Finance lease liabilities	3,161,333	–	–	–	–	–	–	3,161,333	3,161,333
Company									
2020									
Financial asset									
Short-term investments	339,305	339,305	–	–	339,305	–	–	–	–
2019									
Financial asset									
Short-term investments	412,894	412,894	–	–	412,894	–	–	–	–

33. OPERATING LEASE COMMITMENTS - AS LESSEE

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2020 RM	2019 RM
Not later than one year	–	1,366,567
More than one year and not later than five years	–	821,329
More than five years	–	131,163
	–	2,319,059

The operating lease commitments are in respect of the non-cancellable operating lease arrangements entered into by the Group for the rental of premises for periods of 1 year to 5 years and are renewable upon expiry. The leases do not include any contingent rentals.

34. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Associate; and
(iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividend income				
Subsidiaries	–	–	(11,130,000)	(8,330,000)
Management fee income				
Subsidiaries	–	–	(1,780,000)	(1,500,000)
Interest income				
Subsidiaries	–	–	(91,973)	(100,031)
Interest expense				
Subsidiaries	–	–	70,685	–

34. RELATED PARTIES (CONT'D)

(b) Significant related party transactions (cont'd)

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows (cont'd):

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Rental expenses				
Subsidiaries	–	–	42,000	42,000
Director of a subsidiary	69,465	60,000	–	–
	69,465	60,000	42,000	42,000

(c) Compensation of key management personnel

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors' fees	387,000	384,000	154,000	151,500
Short-term employee benefits	8,551,659	7,559,613	–	–
Post-employment employee benefits	1,005,828	878,004	–	–
Benefits-in-kind	194,404	169,792	–	–
	10,138,891	8,991,409	154,000	151,500

<u>Directors' interest in Employees' Share Option Scheme</u>

During the financial year, 600,000 (2019: 1,100,000) share options were exercised by a director of the Company.

At the reporting date, the total number of outstanding share options granted by the Company to certain directors under the ESOS plan amounted to 1,950,000 (2019: 1,500,000).

35. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratio in order to support their business and maximise shareholders value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust their capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 30 June 2020 and 30 June 2019.

The Group and the Company monitor capital using a gearing ratio. The gearing ratio is calculated as total loans and borrowings divided by total equity.

The gearing ratio for the Group and for the Company as at 30 June 2020 and 30 June 2019 are as follows:

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Loans and borrowings	21	30,772,411	39,666,163	1,500,000	17,000,000
Lease liabilities		4,370,606	–	–	–
Total loans and borrowings		35,143,017	39,666,163	1,500,000	17,000,000
Total equity		222,098,854	245,389,480	97,722,223	129,703,050
Gearing ratio		16%	16%	2%	13%

The Group is required to comply with certain covenants in relation to the borrowings of its subsidiaries. The salient covenants include, amongst others:

(a) The subsidiaries concerned are required to maintain a gearing ratio of not more than 2 times of its tangible net worth during the tenure of the borrowings; and
(b) The Group is required to maintain a tangible net worth of not less than RM45,000,000 during the tenure of the borrowings.

36. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

Other than disclosed elsewhere in the financial statements, the significant events during and subsequent to end of the financial year are as follows:

(a) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The MCO was imposed until 12 May 2020 followed by Conditional MCO until 9 June 2020 and then, Recovery MCO until 31 December 2020. The COVID-19 outbreak also resulted in travel restrictions, lockdowns and other precautionary measures imposed in various countries.

The Group and the Company have accounted for the possible impacts of COVID-19 in their application of significant judgements and estimates for the financial year ended 30 June 2020 in determining the amounts recognised in the financial statements for the financial year ended 30 June 2020 as disclosed in Note 4 to the financial statements.

Given the fluidity of the situation, the Group and the Company will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

(b) On 28 July 2020, the Company announced that its wholly-owned subsidiary, DD Techniche Sdn. Bhd. ("DDT") had entered into Memorandum of Understanding ("MOU") with Techkem Utilities Sdn. Bhd. ("TUSB") to collaborate with each other to jointly explore and finance water related project opportunities in Malaysia and the ASEAN region.

On 15 October 2020, the Company further announced that DDT had entered into a Joint Venture Agreement ("JVA") with TUSB and Techkem Resources Sdn. Bhd. ("TRSB") (both companies referred to as ("Techkem") to establish an unincorporated joint venture. The JVA formalises the collaboration between the Parties to jointly explore and undertake water related project opportunities in Malaysia and the ASEAN region. Both DDT and Techkem hold an equal 50% stake in the unincorporated joint venture. The rationale of the JVA is to capitalise on the complimentary expertise and resources of the parties to jointly undertake and execute water related projects with a vision of improving the supply of clean water to the people while diversifying and strengthening DDT and Techkem's water infrastructure portfolio.

On 15 October 2020, the Company announced that the said joint venture via TRSB had on 18 September 2020 accepted a letter of award from Real Teamtrade Sdn. Bhd. for sub-contract works relating to the supply and installation of mechanical and electrical works for a total contract sum of RM7.33 million. The main contract shall commence on 10 June 2020 and the works shall be completed by 9 December 2021, or such other extended date(s) as may be applicable under the provisions of the main contract.

(c) On 16 October 2020, the Company announced that Ambang Wira Sdn. Bhd. ("AWSB"), a wholly owned subsidiary of the Company, accepted a contract for comprehensive management, maintenance and operational services of commercial office building at Galleria PJH situated in Putrajaya from Putrajaya Holdings Sdn. Bhd. The contract amounted to approximately RM6.51 million and is for a period of three (3) years from 1 November 2020 to 30 October 2023. The contract may be further extended for a period of two (2) years from expiry of the original contract period.

37. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer/President for the purpose of making decisions about resource allocation and performance assessment.

The five reportable operating segments are as follows:

Segments	**Products and services**
Investment holding	Provide group-level corporate services.
Facilities	Provision of an integrated range of maintenance services for office, commercial, industrial, residential and administrative buildings. These services include electrical, mechanical, civil, structural, energy and utility management and maintenance, vertical transport management, security and safety management and central monitoring systems, landscaping and ground care.
Engineering	Provision of various mechanical and electrical engineering services for the building industry. These include computerised Building Automation Systems (BAS), trading and installation of Heating, Ventilation and Air-Conditioning Systems (HVAC), integrated installation of electrical systems, energy saving and lift systems, trading of specialised water tanks and rainwater harvesting products, and installation of plumbing systems into building and facilities.
Environment	Provision of environmentally-friendly solutions to waste collection system management. These include general trading, design, development, installation and commissioning of cleaning equipment, central vacuum systems and STREAM Automated Pneumatic Waste Collection System.
Rail	Provision of railway infrastructure works. These include trading and rail welding works, ranging from the supplies of materials to the actual completion of rail works.

37. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Rail RM	Others RM	Note	Adjustments and eliminations RM	Total RM
2020									
Revenue:									
External revenue	–	163,223,852	60,760,005	55,592,095	35,478,548	–		–	315,054,500
Inter-segment revenue	12,910,000	15,452,100	6,504,238	–	–	–	(a)	(34,866,338)	–
	12,910,000	178,675,952	67,264,243	55,592,095	35,478,548	–		(34,866,338)	315,054,500
Results:									
Results before the following adjustments	(27,339,522)	18,585,676	(871,235)	12,282,457	6,604,368	(27,604)	(b)	24,300,784	33,534,924
Depreciation and amortisation	(18,832)	(1,518,136)	(982,159)	(1,561,970)	(1,458,401)	(3,019)		–	(5,542,517)
Net allowance of impairment losses on:									
- contract assets	–	–	–	(1,662,638)	–	–		–	(1,662,638)
- goodwill	–	–	(5,061,760)	–	(8,689,622)	–		–	(13,751,382)
- trade receivables	–	(984,578)	(13,176,337)	(5,123,312)	–	–		–	(19,284,227)
Other non-cash items	–	–	(265,463)	(71,176)	250,611	–	(e)	–	(86,028)
Share of result of an associate	–	–	–	(24,023)	–	–		–	(24,023)
Segment results	(27,358,354)	16,082,962	(20,356,954)	3,839,338	(3,293,044)	(30,623)		24,300,784	(6,815,891)
Net finance income	(749,987)	(271,654)	(242,025)	639,757	272,773	–		–	(351,136)
Income tax expense	(414,266)	(4,583,391)	(1,176,005)	(1,128,317)	(820,841)	–		–	(8,122,820)
Loss for the financial year									(15,289,847)

37. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Rail RM	Others RM	Note	Adjustments and eliminations RM	Total RM
2020									
Assets									
Segment assets	116,604,135	163,376,191	85,765,016	100,243,984	55,280,394	12,851	(c)	(174,103,628)	347,178,943
Current tax assets	–	3,727,415	111,642	358,238	27,126	–		–	4,224,421
Deferred tax assets	–	1,145,509	73,299	1,525,539	29,617	–		–	2,773,964
Total assets	116,604,135	168,249,115	85,949,957	102,127,761	55,337,137	12,851		(174,103,628)	354,177,328
Liabilities									
Segment liabilities	19,049,188	95,393,231	41,479,407	18,966,277	12,814,501	505,877	(d)	(58,405,854)	129,802,627
Current tax liabilities	195,202	–	157,984	940,227	–	–		–	1,293,413
Deferred tax liabilities	–	850,513	29,662	102,259	–	–		–	982,434
Total liabilities	19,244,390	96,243,744	41,667,053	20,008,763	12,814,501	505,877		(58,405,854)	132,078,474
Other segment items									
Additions to non-current assets other than financial instruments									
- property, plant and equipment	57,611	672,901	136,859	231,734	85,872	–		–	1,184,977
- right-of-use assets	–	542,668	153,590	726,154	–	–		–	1,422,412
- investment properties	–	–	–	600,000	–	–		–	600,000

37. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Rail RM	Others RM	Note	Adjustments and eliminations RM	Total RM
2019									
Revenue:									
External revenue	–	158,146,557	68,854,075	67,733,728	37,909,691	–		–	332,644,051
Inter-segment revenue	9,830,000	16,378,603	9,955,429	–	–	–	(a)	(36,164,032)	–
	9,830,000	174,525,160	78,809,504	67,733,728	37,909,691	–		(36,164,032)	332,644,051
Results:									
Results before the following adjustments	6,984,795	17,156,865	3,986,837	13,091,206	12,381,560	(83,571)	(b)	(11,256,670)	42,261,022
Depreciation and amortisation	(21,475)	(841,304)	(583,759)	(1,185,591)	(3,480,791)	(3,019)		–	(6,115,939)
Net reversal of impairment losses on:									
- trade receivables	–	50,000	1,050,477	45,230	–	–		–	1,145,707
Other non-cash items	(432,879)	52,839	(232,644)	104,902	166,624	(78,702)	(e)	370,464	(49,396)
Share of result of an associate	–	–	–	181,505	–	–		–	181,505
Segment results	6,530,441	16,418,400	4,220,911	12,237,252	9,067,393	(165,292)		(10,886,206)	37,422,899
Net finance income	(308,761)	(138,915)	(161,435)	687,862	96,844	–		–	175,595
Income tax expense	(208,690)	(4,547,077)	(1,266,092)	(1,017,178)	(2,266,192)	–		774,286	(8,530,943)
Profit for the financial year									29,067,551

37. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Rail RM	Others RM	Note	Adjustments and eliminations RM	Total RM
2019									
Assets									
Segment assets	153,346,026	142,861,500	99,453,480	103,348,732	63,690,661	16,040	(c)	(190,363,834)	372,352,605
Current tax assets	–	1,762,082	299,757	896,424	–	–		–	2,958,263
Deferred tax assets	–	2,665,672	485	1,250,665	–	–		–	3,916,822
Total assets	153,346,026	147,289,254	99,753,722	105,495,821	63,690,661	16,040		(190,363,834)	379,227,690
Liabilities									
Segment liabilities	23,710,493	85,273,009	32,404,052	18,503,112	13,915,366	2,896,031	(d)	(45,291,055)	131,411,008
Current tax liabilities	91,728	39,027	150,480	1,223,796	72,596	–		–	1,577,627
Deferred tax liabilities	–	7,407	54,496	391,977	145,176	–		250,519	849,575
Total liabilities	23,802,221	85,319,443	32,609,028	20,118,885	14,133,138	2,896,031		(45,040,536)	133,838,210
Other segment items									
Additions to non-current assets other than financial instruments - property, plant and equipment	–	519,692	171,242	1,592,704	617,049	–		–	2,900,687

37. SEGMENT INFORMATION (CONT'D)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment revenue are eliminated on consolidation;
(b) Inter-segment transactions are eliminated on consolidation;
(c) Inter-segment assets are eliminated on consolidation;
(d) Inter-segment liabilities are eliminated on consolidation; and
(e) Other non-cash items, other than depreciation and amortisation and net (reversal)/allowance of impairment losses of trade and other receivables consist of the following:

	Group	
	2020 RM	2019 RM
Bad debt written off	73,185	73,409
Fair value gain on investment properties	–	(80,000)
Gain on disposal of property, plant and equipment	(95,782)	(166,243)
Gain on disposal of right-of-use assets	(17,675)	–
Inventories written down to net realisable value	228,415	290,890
Property, plant and equipment written off	5,185	3,490
Provision for employee benefits	90,338	170,379
Right-of-use assets written off	61,779	–
Unrealised gain on foreign exchange	(259,417)	(242,529)
	86,028	49,396

Geographical information

Revenue and non-current assets (other than financial instruments and deferred tax assets) information based on the geographical location of customers are as follows:

	Revenue RM	Non-current assets RM
2020		
Malaysia	268,165,005	63,647,760
Singapore	34,753,207	801,391
United Arab Emirates, Abu Dhabi	12,136,288	152,504
	315,054,500	64,601,655
2019		
Malaysia	289,902,140	77,647,420
Singapore	26,107,504	450,743
United Arab Emirates, Abu Dhabi	16,634,407	201,886
	332,644,051	78,300,049

37. SEGMENT INFORMATION (CONT'D)

Information about major customer

The major customer with revenue equal to or more than 10% of the Group revenue is as follows:

		Group	
	Segment	**2020 RM**	**2019 RM**
Customer A	Facilities	73,936,818	64,431,593

STATEMENT
BY DIRECTORS
(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **DATO' NIK MOD AMIN BIN NIK ABD MAJID** and **DATO' AHMAD KABEER BIN MOHAMED NAGOOR**, being two of the directors of **AWC BERHAD** do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 88 to 195 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' NIK MOD AMIN BIN NIK ABD MAJID
Director

DATO' AHMAD KABEER BIN MOHAMED NAGOOR
Director

Subang Jaya

Date: 16 October 2020

STATUTORY
DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **VOON SIEW MOON**, being the officer primarily responsible for the financial management of **AWC BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 88 to 195 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

VOON SIEW MOON
Officer

Subscribed and solemnly declared by the abovenamed at Subang Jaya in Selangor Darul Ehsan on
16 October 2020.

Before me,

Siti Haidah Binti Ariffin
(No. B 501)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AWC BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AWC Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 195.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Goodwill on business combination (Notes 4.1 and 8.1 to the financial statements)

The Group has significant goodwill on business combination amounted to RM41,710,741 arising from the acquisition of four subsidiaries. The goodwill is tested for impairment annually. In performing the impairment assessment, the Group has identified environment, engineering and rail segments as the cash generating units to which the goodwill is allocated.

We focused on this area because the impairment assessment requires the exercise of significant judgement by the Group on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections which include future sales, gross profit margin and operating expenses.

Our response:

Our audit procedures included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance with the requirements of MFRS 136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business;
- comparing the Group's assumptions to our assessments in relation to key assumptions to assess their reasonableness of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be more sensitive to the recoverable amount.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Group (cont'd)

Trade receivables (Notes 4.2 and 13 to the financial statements)

As at 30 June 2020, trade receivables of the Group amounted to RM101,363,193. We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and testing the reliability of the reports;
- obtaining confirmation of balances from selected samples of receivables;
- testing subsequent receipts after financial year end, customer correspondence and considering level of activity with the customer, consider customer's financial capability and past trend of payments and management explanation on recoverability with significantly past due balances; and
- reviewing the work papers of component auditors in assessing the recoverability of any significantly past due balances of subsidiaries not audited by us.

Revenue recognition for construction activities (Notes 4.3 and 25 to the financial statements)

The amount of revenue of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the construction costs incurred, and the estimated total construction contracts revenue and costs, as well as the recoverability of the construction contracts projects. The estimated total revenue are affected by a variety of uncertainties that depend of the outcome of future events.

Our response:

Our audit procedures on a sample of projects included, among others:

- reading the terms and conditions of agreements with customers;
- understanding the Group's process in preparing or updating project budget and the calculation of the progress towards anticipated satisfaction of a performance obligation;
- comparing the Group's major assumptions to contractual terms, our understanding gathered from the analysis of changes in the assumptions from previous financial year and discussing with project managers;
- testing the mathematical computation of recognised revenue; and
- reviewing the work papers of component auditors in their assessment of the project total estimated revenue and costs as well as the revenue recognised during the financial year for subsidiaries not audited by us.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

<u>Company</u>

Investment in subsidiaries (Note 4.4 and 9 to the financial statements)

The Company has significant balance of investment in subsidiaries. At the end of the financial year, the Company determined whether there is any indication of impairment in investment in subsidiaries.

We focused on this area because the Company's assessment of the recoverable amount involved significant judgement. The recoverable amount of investment in subsidiaries were determined based on value-in-use which includes the discount rate applied in the recoverable amount calculation and the assumptions supporting the underlying cash flow projections which include future revenue, gross profit margin and operating expenses.

Our response:

Our audit procedures focus on evaluating the cash flow projections which included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Company in accordance with the requirements of MFRS 136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business;
- comparing the Company's assumptions to our assessments in relation to key assumptions to assess their reasonableness of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be more sensitive to the recoverable amount.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Lee Kong Weng
No: 02967/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 16 October 2020

SUMMARY OF
GROUP PROPERTIES
As At 30 June 2020

No.	Owner	Location	Description	Existing use	Land area (Sq. ft.)	Built-up area (Sq. ft.)	Tenure	Approximate age of building	Audited net book value as at 30 June 2010 (RM)	Date of Acquisition/ Last Valuation
1.	Ambang Wira Sdn. Bhd. ("AWSB")	An intermediate shop lot and six intermediate office lots known as parcel Nos. S23A-1, Level 1, S23A-2, Level 2, S23A-3, Level 3, S23A-3A, Level 3A, S23A-5, Level 5, S23A-6, Level 6 and S23A-7, Level 7, respectively all in Block S23A in Subang Business Centre erected on part of the land held under Grant 54290, Lot 50530, Pekan Subang Jaya, District of Petaling, Selangor Darul Ehsan	Shop lot and office lots	Office	–	11,737	Freehold	20 years	4,945,600.32	22 June 2000/ 29 June 2020
2.	AWSB	An intermediate shop lot and six intermediate office lots known as parcel Nos. S25-1, Level 1, S25-2, Level 2, S25-3, Level 3, S25-3A, Level 3A, S25-5, Level 5, S25-6, Level 6 and S25-7, Level 7, respectively all in Block S25 in Subang Business Centre erected on part of the land held under Grant 54290, Lot 50530, Pekan Subang Jaya, District of Petaling, Selangor Darul Ehsan	Shop lot and office lots	Office	–	11,737	Freehold	20 years	4,945,600.32	29 November 2002/ 29 June 2020
3.	Qudotech Sdn. Bhd. ("Qudotech")	Unit No 2.016, Floor No. 2, Rhythm Avenue, USJ 19, HS (D) 108337, PT No. 3462, Mukim of Damansara, District of Petaling, State of Selangor	Shop Lot	Vacant	–	207	Freehold	16 years	127,756.44	31 October 2000/ 30 June 2020
4.	Qudotech	Unit No 2.017, Floor No. 2, Rhythm Avenue, USJ 19, HS (D) 108337, PT No. 3462, Mukim of Damansara, District of Petaling, State of Selangor	Shop Lot	Vacant	–	196	Freehold	16 years	121,115.52	31 October 2000/ 30 June 2020
5.	Stream Environment Sdn. Bhd. ("SESB")	No. 11, Jalan Sg Besi Indah 5/2, Taman Sg Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan	Shop Lot	Office	1,905	7,464	99 year leasehold interest expiring on 28 July 2108	11 years	1,882,328.86	13 February 2017/ 15 July 2016
6.	SESB	C-07-01, Jalan PBS 14/2, Taman Bukit Serdang, Seksyen 13, 43300 Seri Kembangan, Selangor Darul Ehsan	Condo	Vacant	–	1,000	Freehold	2 years	600,000.00	20 Aug 2019/NIL
7.	Trackwork & Supplies Sdn. Bhd.	No. 31-5, Level 5, Dataran Prima Block F2, Jalan PJU 1/42A, 47301 Petaling Jaya, Selangor Darul Ehsan	Office Lot	Office	–	1,926	Freehold	14 years	541,517.85	1 June 2016/ 5 June 2020
		TOTAL							**13,163,919.31**	

ANALYSIS OF SHAREHOLDINGS
AS AT 30 SEPTEMBER 2020

Total number of Issued Shares	:	299,241,021 Ordinary Shares
Treasury Shares	:	4,628,700 treasury shares held by the Company
Class of Equity Securities	:	Ordinary Shares ("shares")
Voting Right	:	One vote for every share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholdings	No. of Holders	%	No of Shares #	%
Less than 100	1,740	20.97	122,073	0.04
100 – 1,000	1,516	18.27	803,743	0.27
1,001 – 10,000	2,907	35.03	16,511,277	5.60
10,001 – 100,000	1,904	22.95	64,816,785	22.00
100,001 – less than 5 % of the issued shares	230	2.77	128,061,385	43.47
5% and above of the issued shares	1	0.01	84,297,058	28.61
Total	**8,298**	**100.00**	**294,612,321**	**100.00**

Excluding a total of 4,628,700 shares bought back and retained as treasury shares.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2020
(As per the Register of Substantial Shareholders)

	No. of Ordinary Shares			
Name of Substantial Shareholders	Direct Interest	%*	Indirect Interest	%*
K-Capital Sdn Bhd	84,300,000	28.61	–	–
Dato' Ahmad Kabeer Bin Mohamed Nagoor	18,675,000	6.34	84,300,000[(a)]	28.61

Note:

[(a)] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 held through in K-Capital Sdn Bhd.

DIRECTOR'S INTEREST AS AT 30 SEPTEMBER 2020
(As per the Register of Directors' Shareholdings)

	No. of Ordinary Shares			
Name of Director	Direct Interest	%*	Indirect Interest	%*
Dato' Ahmad Kabeer Bin Mohamed Nagoor	18,675,000	6.34	84,300,000[(a)]	28.61
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	100,000	0.03	–	–
Dato' Nik Mod Amin Bin Nik Abd Majid	400,000	0.14	–	–
Sureson A/L Krisnasamy	65,000	0.02	–	–

Notes

[(a)] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 held through in K-Capital Sdn Bhd.

* All percentage shareholding computations are based on the total number of issued shares less treasury shares account (4,628,700 shares) arising from the share buy-back exercise.

Analysis Of Shareholdings
(cont'd)

DIRECTOR'S INTEREST AS AT 30 SEPTEMBER 2020 (CONT'D)
(As per the Register of Directors' Shareholdings)

Name of Directors	No. of Options granted under Employees' Share Option Scheme (ESOS)
Dato' Ahmad Kabeer Bin Mohamed Nagoor	4,050,000
Dato' Nik Mod Amin Bin Nik Abd Majid	500,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	300,000
Dato' Ahri Bin Hashim	300,000
Sureson A/L Krisnasamy	300,000

30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2020
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%*
1.	K-CAPITAL SDN. BHD.	84,297,058	28.61
2.	AHMAD KABEER BIN MOHAMED NAGOOR	12,475,000	4.23
3.	KONG KEAT VOON	5,505,583	1.87
4.	UOBM NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR AHMAD KABEER BIN MOHAMED NAGOOR	5,200,000	1.77
5.	IGNATIUS LUKE JR TAN KENG HEE	5,023,700	1.71
6.	ZAINAB BINTI ABDUL RAHMAN	4,880,000	1.66
7.	GOH TSE WOEI	4,462,283	1.51
8.	GOH POEY HONG	4,105,847	1.39
9.	FEDERLITE HOLDINGS SDN BHD	3,786,800	1.29
10.	CIMB GROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR DBS BANK LTD (SFS)	3,099,300	1.05
11.	TAN SIEW KHENG	2,928,500	0.99
12.	HO SHU KEONG	2,694,200	0.91
13.	CHONG KIM LOONG	2,610,795	0.89
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,369,300	0.80
15.	TAN CHOON PIN	2,075,000	0.70
16.	CHAN AI SIM	2,028,800	0.69
17.	SHAUL HAMID BIN MADAR	1,878,100	0.64
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE	1,542,500	0.52
19.	TENGEN SUPPLIES SDN. BHD.	1,500,000	0.51
20.	TAN KA LIAN	1,259,300	0.43
21.	CHIA MOI LING	1,083,500	0.37
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHENG WEI YEE	1,054,000	0.36
23.	HO PENG CHONG	1,040,000	0.35
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR TAN SIEW KHENG (PB)	1,011,312	0.34
25.	AHMAD KABEER BIN MOHAMED NAGOOR	1,000,000	0.34
26.	LIM KUAN GIN	1,000,000	0.34
27.	SYED HUSSIAN BIN SYED JUNID	860,000	0.29
28.	LIM POH TEONG	850,000	0.29

30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2020 (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%*
29.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN WEI SIANG	838,900	0.28
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	829,400	0.28

* All percentage shareholding computations are based on the total number of issued shares less treasury shares account (4,628,700 shares) arising from the share buy-back exercise.

ANALYSIS OF WARRANT HOLDINGS
AS AT 30 SEPTEMBER 2020

Type of Securities	:	Warrants A ("Warrants")
No. of Warrants Issued	:	56,824,679
Exercise Price	:	RM0.88
Exercise Period	:	26 December 2021 to 25 December 2023

DISTRIBUTION OF WARRANTS HOLDINGS

Size of Holdings	No. of Warrant Holders	No. of Warrants	%
Less than 100	2,594	61,488	0.11
100 - 1,000	1,793	868,354	1.53
1,001 - 10,000	1,148	4,038,539	7.11
10,001 - 100,000	302	11,088,238	19.51
100,001 – 2,841,233 (*)	74	24,218,649	42.62
2,841,233 and above (**)	1	16,549,411	29.12
Total	**5,912**	**56,824,679**	**100.00**

Note:

* *Less than 5% of Issued Warrants*
** *5% and above of Issued Warrants*

DIRECTORS' WARRANT HOLDINGS
(As per the Register of Directors' Warrant Holdings)

	Direct Interest		Indirect Interest	
Name of Directors	No. of Warrants	%	No. of Warrants	%
Dato' Ahmad Kabeer Bin Mohamed Nagoor	2,651,000	4.67	16,549,999 [a]	29.12
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	20,000	0.040	–	–
Dato' Nik Mod Amin Bin Nik Abd Majid	80,000	0.140	–	–

[a] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 held through in K-Capital Sdn Bhd.

THIRTY LARGEST WARRANT HOLDERS AS AT 30 SEPTEMBER 2020
(without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Warrants Held	%*
1.	K-CAPITAL SDN. BHD.	16,549,411	29.12
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE	1,432,600	2.52
3.	AHMAD KABEER BIN MOHAMED NAGOOR	1,411,000	2.48
4.	IGNATIUS LUKE JR TAN KENG HEE	1,352,660	2.38
5.	UOBM NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR AHMAD KABEER BIN MOHAMED NAGOOR	1,040,000	1.83

THIRTY LARGEST WARRANT HOLDERS AS AT 30 SEPTEMBER 2020
(without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Warrants Held	%*
6.	TA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR ANITHA BINTI MOHAMED HANIFFA	1,000,000	1.76
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHEE KAR MING	880,865	1.55
8.	TAN BOON SIONG	800,000	1.40
9.	MOHD KHAIRUL IZWAN BIN ABDULLAH SANI	750,000	1.32
10.	KONG KEAT VOON	717,510	1.26
11.	TEO YU TEE	675,500	1.19
12.	CHIA MOI LING	654,500	1.15
13.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR ALLAN GAN CHIN YONG (8122098)	633,340	1.11
14.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG HAN KEONG	600,000	1.06
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - EMPLOYEES PROVIDENT FUND BOARD	573,800	1.01
16.	LEE MENG KUI	452,000	0.80
17.	SHAUL HAMID BIN MADAR	375,620	0.66
18.	KONG OON CHEE	356,000	0.63
19.	CHONG KIM LOONG	353,650	0.62
20.	PEH LAI YIAN	350,000	0.62
21.	CHAI TIEN TECK	326,200	0.57
22.	TENGEN SUPPLIES SDN BHD	300,000	0.53
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - GOH KUN SENG	290,000	0.51
24.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TI CHEE SENG (T.MLK RAYA-CL)	280,000	0.49
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR PHOON THIAN SENG	277,400	0.49
26.	ADLINA HO BINTI ABDULLAH	273,588	0.48
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - MOHAMAD ALFALAH BIN ZAKARIA	270,000	0.48
28.	CHOY MAN WAI	260,000	0.46
29.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	260,000	0.46
30.	LIM POLLY	250,000	0.44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting ("Meeting" or "AGM") of AWC BERHAD ("AWC" or "the Company") will be held on fully virtual and entirely via remote participation and voting at the Broadcast Venue: Tricor Leadership Room, Unit 32-10, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 25 November 2020 at 10:00 a.m. or at any adjournment thereof, to transact the following businesses:-

A G E N D A

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and Auditors thereon. **PLEASE REFER TO EXPLANATORY NOTE 1**

2. To approve the payment of Directors' fees and benefits of up to RM399,000 for the period from 1 July 2020 until the next Annual General Meeting of the Company. **ORDINARY RESOLUTION 1**

3. To re-elect the following Directors who retire by rotation in accordance with Clause 85 of the Company's Constitution:

   i. Dato' Nik Mod Amin Bin Nik Abd Majid **ORDINARY RESOLUTION 2**
   ii. Dato' Ahri Bin Hashim **ORDINARY RESOLUTION 3**

4. To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 4**

As Special Business:

To consider and if thought fit, pass with or without any modifications, the following resolutions:

5. **RETENTION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR** **ORDINARY RESOLUTION 5**

   "THAT subject to the passing of Ordinary Resolution 2, Dato' Nik Mod Amin Bin Nik Abd Majid who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company."

6. **GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **ORDINARY RESOLUTION 6**

   "THAT subject always to the Constitution of the Company, the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY** **SPECIAL RESOLUTION**

"THAT the proposed amendments to the Constitution of the Company as set out in "Appendix A", be approved and adopted with immediate effect AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company."

8. To transact any other business of which due notice shall have been given.

By order of the Board

TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
26 October 2020

Notes:

i. A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.

ii. A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.

iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

iv. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

v. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.

vi. To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.

vii. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 17 November 2020. Only members whose name appears in the Record of Depositors as at 17 November 2020 shall be entitled to attend the Meeting and to speak and vote thereat.

viii. All the resolutions set out in this Notice will be put to vote by poll.

ix. The Nineteenth AGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the Meeting. Any material developments or updates on the Meeting will be announced on the website of Bursa Securities regularly.

EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

1. Item 1 of the Agenda

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of members for the Audited Financial Statements. Hence, Agenda No. 1 will not put forward for voting.

2. Item 2 of the Agenda

The estimated Directors' fees and benefits are calculated based on the current Board size and number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefits for the period from 1 July 2020 until the next AGM of the Company in year 2021. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

3. Item 5 of the Agenda

The Nomination and Remuneration Committee of the Company has assessed the independence of Dato' Nik Mod Amin Bin Nik Abd Majid, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue acting as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance. The justifications are stated in the Statement on Corporate Governance of the Annual Report for the financial year ended 30 June 2020.

4. Item 6 of the Agenda

The Company had at its Eighteenth AGM held on 28 November 2019 ("18th AGM"), obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("10% General Mandate"). This 10% General Mandate will expire at the conclusion of this AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 18th AGM held on 28 November 2019 which will lapse at the conclusion of the Nineteenth AGM.

The Ordinary Resolution 6 proposed under item 6 of the Agenda, is to seek a general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, to issue and allot ordinary shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("20% General Mandate"). This 20% General Mandate, unless revoked or varied at general meeting, will expire at the next AGM.

In view of the challenging time due to the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate as an interim relief measure to allow a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Listing Requirements of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities.

The Board of Directors' Statement

The Board of Directors of AWC ("Board"), after due consideration, is of the opinion that in the face of unprecedented challenges brought by COVID-19, this 20% General Mandate is the most appropriate avenue of fund raising at this juncture. This 20% General Mandate will enable the Company to raise funds expeditiously without having to incur interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow. The funds raised will be used to finance the day-to-day operational expenses, working capital for the on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders.

5. Item 7 of the Agenda

The Special Resolution proposed under item 7 of the Agenda if approved, will provide more flexibility for the Company and its shareholders on the manner of holding meeting of members and lodgement of proxy forms as well as to provide clarity on the objects of the Company and the provisions of the Third Schedule of the Act.

The proposed amendments to the Constitution of the Company shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Meeting.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF AWC BERHAD ("THE COMPANY")

This is the Appendix A referred to in Agenda 7 of the Notice of Nineteenth Annual General Meeting ("**19th AGM**") of the Company dated 26 October 2020.

Day, Date and time of the 19th AGM	:	Wednesday, 25 November 2020 at 10:00 a.m.
Broadcast Venue of the 19th AGM	:	Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur

Clause No.	Existing Clause	Clause No.	Proposed Clause
4.	Subject to the provisions of the Act, this Constitution and any other written law, the Company has: - (a) Full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and (b) For the purposes of Clause 4(a) above, full rights, powers and privileges.	4.	Subject to the provisions of the Act, this Constitution and any other written law, the **objects for which the Company is established are**: - **(a) To carry on the business of an investment holding company and for that purpose to promote or form or assist in promotion of any company or the subsidiary of the Company or otherwise and to acquire and hold for investment shares, stocks, debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any company or private undertaking; and** **(b) To carry on or undertake any business activity, to do any act or enter into any transaction or to do all such other things as are incidental or conducive to the attainment of the above objects.** **Section 21 of the Act shall apply to the Company and the Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or any activity the Directors consider advantageous to the Company and that are not prohibited under any law for the time being enforced in Malaysia.**

Clause No.	Existing Clause	Clause No.	Proposed Clause
61.	The meeting of its Members may be held at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.	61.	The meeting of its Members may be held **by fully virtual or hybrid** at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and **subject to Clause 69**, the Chairman shall be present at the main venue of the meeting. **For fully virtual general meeting, the broadcast venue shall be the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting**.
62.	Every notice convening meetings shall be in writing and shall be given to the Members either in hard copy, or in electronic form, or partly in hard copy and partly in electronic form specify the venue, the date and the time of the meeting and the general nature of the business of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; PROVIDED that a meeting of the Company shall, notwithstanding that it is called by a shorter notice than that specified in this Constitution, be deemed to have been duly called if it is so agreed:- (i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, together holding not less than ninety-five per cent (95%) of the issued shares giving that right.	62.	Every notice convening meetings shall be in writing and shall be given to the Members either in hard copy, **publication on the Company's website** or in electronic form, or partly in hard copy and partly in electronic form specify the venue, the date and the time of the meeting and the general nature of the business of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; PROVIDED that a meeting of the Company shall, notwithstanding that it is called by a shorter notice than that specified in this Constitution, be deemed to have been duly called if it is so agreed:- (i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote thereat, together holding not less than ninety-five per cent (95%) of the issued shares giving that right.

Appendix A
(cont'd)

Clause No.	Existing Clause	Clause No.	Proposed Clause
62.	NOTWITHSTANDING the foregoing at least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such general meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange on which the Company is listed.	62.	NOTWITHSTANDING the foregoing at least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such general meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper.
80.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.	80.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia **or by way of electronic means or in such other manner** as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.
106A	New provision	106A	The provisions of the Third Schedule of the Act shall not apply to the Company except where the same is repeated or contained in this Constitution.

ADMINISTRATIVE NOTES FOR THE NINETEENTH ANNUAL GENERAL MEETING

("19th AGM" OR "MEETING") OF AWC BERHAD ("AWC" OR "THE COMPANY")

Day, Date	:	Wednesday, 25 November 2020
Time	:	10:00 a.m.
Broadcast Venue	:	Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur

MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the 19th AGM will be conducted on **a virtual basis through live streaming from the Broadcast Venue and online remote voting**. This is line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, including any amendment that may be made from time to time.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting and in accordance with Clause 61 of the Company's Constitution. Shareholders / proxies / corporate representatives **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the meeting.

In view of the recent evolving COVID-19 cases in Malaysia, we may be required to change the meeting arrangements of the 19th AGM at short notice. As such, shareholders are advised to check the Company's website or announcements for the latest updates on the status of the 19th AGM. The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 19th AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at this 19th AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV at **TIIH Online** website at https://tiih.online.

Kindly refer to Procedures for RPV for the requirements and procedures.

As the 19th AGM will be held as a fully virtual meeting, shareholders who are unable to participate in this 19th AGM via RPV may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES FOR RPV

Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate remotely in the 19th AGM using the RPV are advised to follow the requirements and procedures as indicated below:-

	Procedure	Action
BEFORE THE 19th AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online and register as a user under the "e-Services". Kindly refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified the status of registration via email. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

Administrative Notes For The Nineteenth Annual General Meeting ("19th AGM" or "Meeting") of AWC Berhad ("AWC" or "The Company")
(cont'd)

PROCEDURES FOR RPV (CONT'D)

Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate remotely in the 19th AGM using the RPV are advised to follow the requirements and procedures as indicated below (cont'd):-

	Procedure	Action
BEFORE THE 19th AGM DAY		
(b)	Submit your registration for RPV	• Registration is open from Monday, 26 October 2020 until the day of 19th AGM on Wednesday, 25 November 2020. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 19th AGM to ascertain their eligibility to participate in the 19th AGM using the RPV. • Login with your user ID and password and select the corporate event: **"(REGISTRATION) AWC 19TH AGM"**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors dated 17 November 2020, the system will send you an e-mail to approve your registration for remote participation and the procedures to use the RPV are detailed therein. In the event your registration is not approved, you will also be notified via email. *(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order for you to login to TIIH Online and to participate in the 19th AGM remotely).*
ON THE DAY OF THE 19th AGM (WEDNESDAY, 25 NOVEMBER 2020)		
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the 19th AGM at any time from 9:30 a.m. i.e. 30 minutes before the commencement of the 19th AGM on Wednesday, 25 November 2020 at 10:00 a.m.
(d)	Participate through Live Streaming	• Select the corporate event: **"(LIVE STREAM MEETING) AWC 19TH AGM"** to engage in the proceedings of the 19th AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavour to respond to questions submitted by you during the 19th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	• Voting session commences from 10:00 a.m. on Wednesday, 25 November 2020 until a time when the Chairman announces the end of the session. Select the corporate event: "(**REMOTE VOTING**) **AWC 19TH AGM**" or if you are on the live stream meeting page, you can select "**GO TO REMOTE VOTING PAGE**" button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	• Upon the announcement by the Chairman on the closure of the 19th AGM, the live streaming will end.

PROCEDURES FOR RPV (CONT'D)

Note to users of the RPV facilities:-

1. Should your registration for RPV be approved we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

Shareholders who appoint proxy(ies) to participate via RPV at the 19th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form to Tricor no later than **Monday, 23 November 2020 at 10:00 a.m**.

The appointment of a proxy may be made in a hard copy form in the following manner:-

(i) In hard copy form

The proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan.

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan not later than **Monday, 23 November 2020 at 10:00 a.m.** to participate via RPV in the 19th AGM. A copy of the power of attorney may be accepted provided that it is certified by notary and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan not later than **Monday, 23 November 2020 at 10:00 a.m.** to participate via RPV in the 19th AGM. The certificate of appointment should be executed in the following manner:-

(i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
(ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

    (a) at least two (2) authorised officers, of whom one shall be a director; or
    (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Administrative Notes For The Nineteenth Annual General Meeting ("19th AGM" or "Meeting") of AWC Berhad ("AWC" or "The Company")
(cont'd)

POLL VOTING

The voting at the 19th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from 10:00 a.m. on **Wednesday, 25 November 2020** but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at https://tiih.online.

Upon completion of the voting session for 19th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 19th AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Monday, 23 November 2020 at 10:00 a.m.** The Board will endeavour to answer the questions received at the 19th AGM.

NO RECORDING OR PHOTOGRAPHY

By participating at the 19th AGM, you agree that no part of the 19th AGM proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electronical, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the rights to take appropriate legal actions against anyone who violates this rule.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9:00 a.m. to 5:30 p.m. (except on public holidays):-

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com
Contact persons	:	Ms. Shanti Renganathan / Encik Mohamad Khairudin

PROXY FORM

AWC BERHAD
200101014341 (550098-A)
(Incorporated in Malaysia)

I/We ____ NRIC/Company No. ______________________
(full name in capital letters)

of ____
(full address)

being (a) member(s) of AWC BERHAD hereby appoint ____

____ NRIC No. ______________________________
(full name in capital letters)

of ____
(full address)

and/or* ____ NRIC No. ______________________________
(full name in capital letters)

of ____
(full address)

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Nineteenth Annual General Meeting of the Company to be held on **fully virtual and entirely via remote participation and voting** at the Broadcast Venue: Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 25 November 2020 at 10:00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her* discretion.

Resolutions	Particulars	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees and benefits of up to RM399,000 for the period from 1 July 2020 util the next Annual General Meeting of the Company.		
Ordinary Resolution 2	To re-elect Dato' Nik Mod Amin Bin Nik Abd Majid as Director.		
Ordinary Resolution 3	To re-elect Dato' Ahri Bin Hashim as Director.		
Ordinary Resolution 4	To re-appoint Baker Tilly Monterio Heng PLT as Auditors of the Company.		
Ordinary Resolution 5	To retain Dato' Nik Mod Amin Bin Nik Abd Majid as Independent Non-Executive Director.		
Ordinary Resolution 6	To approve the authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Special Resolution	To approve the Proposed Amendments to the Constitution of the Company.		

* delete whichever not applicable

CDS Account No.	
Number of Shares Held	

Dated this ______________ day of ______________________ 2020.

For appointment of more than one (1) proxy, percentage of shareholdings to be represented by each proxy:		
	No. of shares	**%**
Proxy ( )		
Proxy ( )		
TOTAL		**100**

____
Signature/Common Seal of Member(s)

NOTES:

i. *A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.*

ii. *A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.*

iii. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.*

iv. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

v. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.*

vi. *To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.*

vii. *For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 17 November 2020. Only members whose name appears in the Record of Depositors as at 17 November 2020 shall be entitled to attend the Meeting and to speak and vote thereat.*

viii. *All the resolutions set out in this Notice will be put to vote by poll.*

ix. *The Nineteenth AGM will be conducted fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the Meeting. Any material developments or updates on the Meeting will be announced on the website of Bursa Securities regularly.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of

AWC BERHAD
200101014341 (550098-A)
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, No.8, Jalan Kerinchi,
Bangsar South,
59200 Kuala Lumpur

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AWC BERHAD
(Company Registration No. 200101014341 (550098-A))

20-2, Subang Business Centre
Jalan USJ 9/5T, 47620 UEP Subang Jaya
Selangor Darul Ehsan, Malaysia

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