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**4. INFORMATION ON THE AWC GROUP (Cont'd)**


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## 4.3.4 Key Strengths of the AWC Group

## (i) Synergies of the AWC Group

The grouping of the Acquiree Companies under AWC will enable the AWC Group to complement each other and can assist AWC Group to develop a larger coverage of the market, which are conducive for the enlarged AWC Group's growth. Some of the synergistic benefits that can be enjoyed from the complementary divisions amongst the Acquiree Companies are: -

*(a) Pooling of technical knowledge, staff and other resources*

Pooling of technical knowledge about common systems and conditions will allow for the provision of better services by both the Facility Management Division and the M&E Engineering Division. In addition, crossover technical benefits are achieved by working together in projects and by implementing common training. As M&C(M), M&C(S) and KPSB are all involved in the M&E engineering and building automation sector, the companies would be able to tap on each others technical know-how as well as the technologies used by each parties.

Further, duplication of technical, operational and other resources can be avoided and this equates to better management of resources within the enlarged AWC Group. With the combination of the Acquiree Companies under the AWC Group, the landscaping works currently under taken by AWSB and AWFm can be undertaken by GGLN, a specialist in the landscaping sector in order to provide better services to their customers.

*(b) Improved cost management*

The Facility Management Division will benefit from the M&E Engineering Division's area of competence through the latter's expertise in energy management solutions. As energy is a major cost to the Facility Management Division, any energy cost savings is expected to translate into better profits for the enlarged AWC Group. In addition, GGLN holds the distributorship of GO-LAWN and ZITP Systems that can be utilized to enhance insulation of buildings from heat which will consequently result in a reduction in energy consumption of air-conditioning systems.

*(c) Broader market coverage*

The M&E Engineering Division will benefit through the potential to increase its sales directly to government buildings sector. Undertaking HVAC parts replacement and upgrades are within the scope of the Facility Management Division's functions and this can be sourced directly from the M&E Engineering Division. This will boost the market penetration for the M&E Engineering Division.

In addition, the marketing and established distribution channels of the two divisions may be combined and both the divisions can undertake joint marketing for new projects. AWC Group will benefit from the cross-selling of services and products into each subsidiaries' existing markets.

Meanwhile, the M&E Engineering Division's network of clients, which it had built up steadily since its incorporation in 1981, are potential customers for the Facility Management Services Division. This will place the Facility Management Services Division in a better footing to accelerate its expansion into the private sector business. Further, through M&C(S), the Facility Management Services Division has the opportunity to tap into the Singapore and other regional markets.

This synergy is drawn from the respective division's existing customers base as both divisions complement each other and they are not in competition with each other.

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**4. INFORMATION ON THE AWC GROUP (Cont'd)**


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**(ii) Marketing and comprehensive coverage of Malaysia and regional areas**

The AWC Group, through one of its Subsidiaries, AWFM, currently have site offices throughout Malaysia which is basically set up for servicing its customers throughout the country. Stationed at each site office is an engineer who besides overseeing the facility management services in that particular area, who can also channel any tenders in the area to the main office in Kuala Lumpur. This extended network allows AWFM to reach out to all available markets to expand its customer base.

In addition, AWFM has a centralised marketing division based in Kuala Lumpur that markets its services throughout the country. With AWSB's presence in Sarawak, AWFM can utilise the resources of AWSB to tap into the opportunities there.

M&C(M) on the other hand works closely with the main contractors and HVAC contractors for buildings in submitting tenders. As it has been established for more than 20 years, it has built up a reputation for being one of the market leader in the HVAC controls sector. This has enabled M&C(M) to utilise its relationships with the contractors to market its services and products.

Being competitive, M&C(M) does not have preference towards a particular contractor and constantly forges close relationship with all contractors to draw on their network and support. In addition, M&C(M) has its own marketing division which can support the marketing requirements of M&C(M) independently as well. In addition, M&C(S), being based in Singapore, forms a strategic platform for the enlarged AWC Group to expand in the region.

**(iii) Technical assistance and support from suppliers**

As strategic partners and distributors for the TAC and IMI products, M&C(M) and M&C(S) enjoys technical assistance from its principal suppliers in terms of trouble-shooting, design and specification of certain projects. In addition, the principal suppliers provide factory training to M&C(M) and M&C(S)'s technical personnel to upgrade the level of technical knowledge of M&C(M) and M&C(S)'s personnel and to keep them abreast of the latest improvements in the controls, BAS and hydronic balancing technology.

**(iv) Accreditation of AWC Group and its principal suppliers**

Through AWSB and AWFM, the AWC Group has been accredited with the ISO 9001 certificate for its quality management systems in provision of facility management services.

AWC Group's principal suppliers, TAC and IMI have been accredited with the ISO9001 and ISO 14001 certificate for its high quality. TAC's products include the BMS/BAS used for the integration, monitor and automation of building systems and HVAC controls for regulation of indoor climate of buildings, which the AWC Group uses as part of its provision of BAS and HVAC Controls services. IMI in turn having been established for more than 100 years, is an internationally known and market leader in the supply of equipment and software in the field of hydronic balancing. IMI's products are mainly used in the HVAC systems to provide and regulate constant water flow and pressure in the HVAC system.

Another principal supplier of the AWC Group namely OKM, a company specialising in manufacturing butterfly valves used in HVAC systems, has also been accredited with the ISO9002. As highlighted above, the AWC Group uses quality products from its principal suppliers who have obtained the aforementioned accreditations to provide quality HVAC engineering services and BMS/BAS.

#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

(v) Established in respective fields

In the facility management sector, AWSB has been in active operations since 1998 and is staffed by experienced personnel, some of whom have been involved in the facility management industry for more than 20 years. In addition, AWSB has built up a reputation for reliability and quality of its facility management services. In 1998, AWSB was awarded the Concession to service Federal Government common-user government buildings in the Concession Zone.

GGLN has been in the landscaping sector for more than 8 years and had undertaken over 200 landscaping projects in Malaysia. Its major on-going projects include landscaping works at Kota Damansara and Bandar Mahkota Cheras.

M&C(M) has more than twenty (20) years of experience in the HVAC controls engineering and BAS sector which provides comprehensive HVAC engineering services. M&C(M) has been successful in securing contracts for a wide range of its services and products and for various types of buildings ranging from hotels to shopping centres, from airports to stadiums and from office buildings to factories. Some of the buildings for which M&C(M) were involved in, are the Kuala Lumpur International Airport, Kuala Lumpur Hospital, Selangor Hospital and Sunway Lagoon Resort Hotel amongst others.

KPSB, on the other hand has over 6 years of experience in the M&E Engineering services in Malaysia. It has undertaken numerous projects, including those in Putrajaya and Cyberjaya.

Both divisions of the AWC Group are managed by experienced personnel. As both divisions are complementary to each other, the benefit and resources harnessed from the synergy between the two divisions will help the AWC Group considerably towards becoming the market leaders for both fields.

##### 4.3.5 Level of competition

While the AWC Group provides integrated facilities and building solutions, the divisions of the AWC Group face different levels of competition. In the facility management sector, there are relatively few competitors to the AWC Group. AWSB as the concession holder has sole and exclusive coverage of its Concession Zone in respect of Federal Government common-user government buildings while the other concession companies are also confined to their own concession zones. However, AWFM which tenders for all other government and private contracts has a few competitors in the facility management field. On the other hand, GGLN faces many competitions in the landscaping sector. Nonetheless, the experience, sound knowledge of landscaping together with the exclusive distributorship in the GO-LAWN and ZITP Systems provide GGLN with the competitive edge in its industry.

In the M&E Engineering and BAS/HVAC division, M&C(M) and KPSB are reputed for their quality services and products with over twenty(20) years and six(6) years of relevant experience, respectively. Based on the experience of the management when tendering for a project in the domestic market, there are a few competitors that offers the comprehensive range of M&E engineering and BAS/HVAC services and other related products that M&C(M) provides.

##### 4.3.6 Risk Management Plan

The AWC Group has adopted a relatively effective risk management plan, which commence from the assessment for participation of a contract to the stage of the implementation of the said contract. Before participating in a contract, the AWC Group would assess the profiles of the customers to determine the credit risk. The effectiveness of assessing its customers' profiles and credit risk is evidenced by its relatively low debts which exceeds 180 days as set out in the section below. The AWC Group also carries out potential liability assessments and undertakes sufficient public liability insurance to cover any product defects supplied by them. In relation to the service contracts, the AWC Group has set up site offices at the location where the services are being carried out to ensure that immediate measures can be taken to overcome any problem which may arise during the terms of its service contracts.

**4. INFORMATION ON THE AWC GROUP (Cont'd)****4.3.7 Level of Trade Debtors**

A summary of the proforma trade debtors ageing analysis as at 30 April 2003 (being the latest practicable date prior to the printing of this prospectus) is set out in the table below:-

	Analysis as at 30 April 2003							Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	More than 180 days RM'000	Retention sum RM'000	Debt due from Government RM'000	
Group Trade Debtors	1,903	1,958	1,073	4,499	3,945	636	5,432	19,446

Based on the proforma results as at 30 April 2003, the AWC Group's total debts exceeding 181 days amounted to RM3.945 million, of which RM2.313 million has been provided as doubtful. The directors of the AWC Group are of the view that the recoverability of the remaining debts of RM1.632 million are considered to be good as each of the company within the AWC Group practices prudent credit management control to minimal default risk.

**4.3.8 Employees**

As at 27 July 2003, AWC Group has 382 employees. None of the employees is a member of any union. The AWC Group has not experienced any work stoppages and enjoyed good relationships with its employees.

The AWC Group provides comprehensive training through on-the-job training under close supervision and guidance of senior engineers and management team to all its employees to ensure that they have the skills necessary for their job functions.

The employment structure of the AWC Group and the length of its employees' service as at 27 July 2003 are set out below:-

Category of Employees	Number of Employees			Total
	< 1 year	1 – 5 years	> 5 years	
Managerial and Professional	9	9	17	35
Technical and Supervisory	37	36	24	97
Administration and Clerical	14	13	17	44
Skilled workers	3	5	10	18
Field workers	42	91	55	188
<b>Total</b>	<b>105</b>	<b>154</b>	<b>123</b>	<b>382</b>

**4.3.9 Location of principal assets, principal place of business and marketing and distribution network**

The principal assets, principal place of business and marketing and distribution network of the AWC Group are located at 18-6, Subang Business Centre, Jalan USJ 9/5T, 47620 Petaling Jaya, Selangor Darul Ehsan.

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#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

##### 4.4 *Subsidiary Companies*

###### **AWSB**

###### (i) History and Business Overview

AWSB was incorporated in Malaysia on 2 April 1993 under the Companies Act as a private limited company. AWSB is principally involved in the provision of facility management services for Federal Government common-user government buildings in the Concession Zone. AWSB does not have any subsidiary or associated companies. It however holds 15% equity interest in M&C(M).

As at 27 July 2003, AWSB has 107 employees.

###### (ii) Share Capital

The present authorized share capital of AWSB is RM5,000,000 comprising 5,000,000 shares of RM1.00 each, of which RM3,000,000 comprising 3,000,000 shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up ordinary share capital of AWSB since incorporation are as follows:-

<b>Date Issued</b>	<b>No. of Shares Allotted</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Cumulative Issued and Paid-Up Ordinary Share Capital RM</b>
02.04.1993	2	1.00	Cash : Subscribers' shares	2
21.05.1993	24,998	1.00	Cash	25,000
13.09.1993	100,000	1.00	Cash	125,000
24.07.1995	1,375,000	1.00	Cash	1,500,000
02.10.1995	1,000,000	1.00	Cash	2,500,000
18.01.1996	500,000	1.00	Cash	3,000,000

###### (iii) Major shareholders

AWSB is a wholly owned subsidiary of AWC.

###### (iv) Profit and Dividend

Please refer to Section 10 for details of AWSB's profit and dividend track record.

###### **AWFM**

###### (i) History and Business Overview

AWFM was incorporated in Malaysia on 19 September 1998 under the Companies Act as a private limited company. AWFM is principally involved in the provision of facility management services for commercial, residential and industrial buildings. AWFM does not have any subsidiary or associated companies.

As at 27 July 2003, AWFM has 177 employees.

###### (ii) Share Capital

The present authorized share capital of AWFM is RM1,000,000 comprising 1,000,000 shares of RM1.00 each, of which RM600,000 comprising 600,000 shares of RM1.00 each have been issued and fully paid-up.

**4. INFORMATION ON THE AWC GROUP (Cont'd)**

The changes in the issued and paid-up ordinary share capital of AWFM since incorporation are as follows:-

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
19.09.1998	2	1.00	Cash : Subscribers' shares	2
17.03.1999	300,000	1.00	Cash	300,002
05.06.2000	299,998	1.00	Cash	600,000

(iii) Major shareholders

AWFM is a wholly owned subsidiary of AWC.

(iv) Profit and Dividend

Please refer to Section 10 for details of AWFM's profit and dividend track record.

**M&C(M)**(i) History and Business Overview

M&C(M) was incorporated in Malaysia on 23 November 1981 under the Companies Act as a private limited company. M&C(M) is principally involved in building and home automation with core competencies in the control and monitoring of HVAC systems. M&C(M) specialises in the building management systems, air-conditioning controls system, industrial cooling system, hydronic balancing system and system service and maintenance. M&C(M) has a subsidiary company, namely M&C(S), in which it holds 51% equity interest. M&C(M) does not have any associated companies.

As at 27 July 2003, M&C(M) has 28 employees.

(ii) Share Capital

The present authorized share capital of M&C(M) is RM5,000,000 comprising 5,000,000 shares of RM1.00 each, of which RM2,000,000 comprising 2,000,000 shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up ordinary share capital of M&C(M) since incorporation are as follows:-

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
23.11.1981	2	1.00	Cash : Subscribers' Shares	2
08.12.1982	150,000	1.00	Cash	150,002
25.05.1984	50,000	1.00	Cash	200,002
05.03.1985	100,001	1.00	Capitalisation of profit & loss appropriation account	300,003
01.04.1989	200,000	1.00	Cash	500,003
12.12.1994	499,997	1.00	Capitalisation of profit & loss appropriation account	1,000,000
01.04.1996	1,000,000	1.00	Capitalisation of profit & loss appropriation account	2,000,000

(iii) Major shareholder

M&C(M) is effectively a wholly owned subsidiary of AWC.

**4. INFORMATION ON THE AWC GROUP (Cont'd)**(iv) Profit and Dividend

Please refer to Section 10 for details of M&C(M)'s profit and dividend track record.

**M&C(S)**(i) History and Business Overview

M&C(S) was incorporated in Singapore on 4 October 1996 under the laws of Singapore as a private limited company. M&C(S) is principally involved in the provision of building and home automation systems, network integration, HVAC engineering services and trading of HVAC parts. M&C(S) does not have any subsidiary or associated companies.

As at 27 July 2003, M&C(S) has 21 employees.

(ii) Share Capital

The present authorized share capital of M&C(S) is SGD1,000,000 comprising 1,000,000 shares of SGD1.00 each, of which SGD500,000 comprising 500,000 shares of SGD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up ordinary share capital of M&C(S) since incorporation are as follows:-

Date Issued	No. of Shares Allotted	Par Value SGD	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital SGD
04.10.1996	200,000	1.00	Cash	200,000
26.05.1999	300,000	1.00	Cash	500,000

(iii) Major shareholders

The major shareholders and percentage effective interest are as follows:-

Name of shareholders	Place of Incorporation / Nationality	No. of ordinary shares of SGD1.00 each	%
M&C(M)	Malaysia	255,000	51.00
AWC	Malaysia	245,000	49.00

(iv) Profit and Dividend

Please refer to Section 10 for details of M&C(S)'s profit and dividend track record.

**KPSB**(i) History and Business Overview

KPSB was incorporated in Malaysia on 14 April 1997 under the Companies Act as a private limited company. KPSB is a specialist in M&E engineering services for highway street lighting and infrastructure works, telecommunication, factories, building industries and etc. KPSB offers its M&E engineering services in high tension switchgear & transformer installation, generator set complete with acoustic system, low voltage electrical installation works, telephone system, audio visual services, building automation, plumbing and sanitary services, fire fighting services, air-conditioning and ventilation systems, infrastructure M&E engineering works and lift systems. KPSB does not have any subsidiary or associated companies.

**4. INFORMATION ON THE AWC GROUP (Cont'd)**

As at 27 July 2003, KPSB has 12 employees.

(ii) Share Capital

The present authorized share capital of KPSB is RM500,000 comprising 500,000 shares of RM1.00 each, of which RM300,000 comprising 300,000 shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up ordinary share capital of KPSB since incorporation are as follows:-

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
14.04.1997	2	1.00	Cash : Subscribers' shares	2
30.04.1998	299,998	1.00	Cash	300,000

(iii) Major shareholders

KPSB is a wholly owned subsidiary of AWC

(iv) Profit and Dividend

Please refer to Section 10 for details of KPSB's profit and dividend track record.

**GGLN**(i) History and Business Overview

GGLN was incorporated in Malaysia on 22 August 1994 under the Companies Act as a private limited company. GGLN is a specialist in landscape design, implementation and maintenance. GGLN does not have any subsidiary or associated companies.

As at 27 July 2003, GGLN has 37 employees.

(ii) Share Capital

The present authorized share capital of GGLN is RM100,000 comprising 100,000 shares of RM1.00 each, of which the entire RM100,000 comprising 100,000 shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up ordinary share capital of GGLN since incorporation are as follows:-

Date Issued	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Ordinary Share Capital RM
22.08.1994	2	1.00	Cash : Subscribers' shares	2
12.12.1994	30,000	1.00	Cash	30,002
24.11.2000	69,998	1.00	Cash	100,000



#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

(iii) Major shareholders

GGLN is a wholly owned subsidiary of AWC.

(iv) Profit and Dividend

Please refer to Section 10 for details of GGLN's profit and dividend track record.

#### 4.5 **Industry overview**

The prospects of the AWC growth are closely related to the services, property and construction sectors within Malaysia.

##### Overview of Malaysian Economy

Major uncertainties over the Iraq War and the SARS outbreak have dissipated. However, the threat of terrorist attacks lingers on and may pose a destabilising risk to economic recovery. The expectations of a strong global economic rebound right after the war did not materialise, but there is hope that conditions might perk up later in the year. The global economy is showing a modest post-war recovery. In response to uncertainties in the global economy, the Malaysian government recently unveiled an economic package to mitigate any adverse effects on the domestic economy. The RM7.3 billion package involves measures to boost consumption and ease the financial pain of tourism-related industries.

The SARS impact on the Malaysian economy has turned out to be less severe than feared. It may have affected the tourism sector seriously, but the rest of the economy has been largely immune. The equity market condition has improved, taking the cue from the rebound in other major markets and the improvement in domestic economic conditions. Interest rates have been reduced further, as part of the economic stimulus package, while fiscal policy will continue to be expansionary this year.

*(Source: Short Term Economic Outlook, the Malaysian Institute of Economic Research, 16 July 2003)*

Real GDP growth of the Malaysian economy in the first quarter of 2003 was within expectations. Economic activity expanded at an annual rate of 4% compared with 1.3% in the corresponding period last year. Expansion was positive in all sectors.

*(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003, Bank Negara Malaysia, 28 May 2003)*

##### Overview of Sectoral Performance in Malaysia

On the supply side, all sectors of the economy are expected to register positive growth rates with growth accelerating in all sectors except for agriculture which is projected to moderate, to 1.1% (2001: 1.8%), due to lower palm oil production. The services sector, which is expected to expand by 5.3%, is envisaged to continue to be the driving force in generating economic growth, contributing 3 percentage points to GDP growth in 2002. Growth in the sector is expected to emanate from the finance, insurance, real estate, and business services sub-sectors, in line with the upturn of the economy and improving domestic demand and complemented by significant improvement in the manufacturing sector.

*(Source : Economic Outlook 2002/3, Ministry of Finance)*

##### The Service Sector

The Government's strategy to diversify sources of growth of the economy has contributed significantly to the growth of the services sector. According to the Economic Report 2002/2003, the services sector is expected to expand by 5.3% (2001: 5.7%) in 2002. The sector remains the largest contributor to growth and accounts for 57% of total real GDP (2001: 56.6%). Within the sector, growth will continue to be broad based, with bigger increases coming from the wholesale and retail trade, hotels and restaurants as well as the finance, insurance, real estate and business services sub-sectors.

*(Source: Economic Report 2002/3, Ministry of Finance)*

#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

During the first quarter of 2003, the overall services sector continued to register a relatively strong growth of 4%, supported by domestic demand and trade-related activities in tandem with the sustained expansion in exports. In particular, growth in the transport, storage and communication sector strengthened, underpinned by strong expansion in the telecommunication sector, as well as robust growth in port and trade-related activities. Similarly, the wholesale, retail trade, restaurants and hotel sector performed better, supported by domestic demand.

(Source: *Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003*, Bank Negara Malaysia, 28 May 2003)

A summary of the Services Sector Performance is set out below:-

Type of Services	% in change	% in change
	for 2002 <sup>e</sup>	for 2003 <sup>f</sup>
Electricity, gas and water	7.2	7.5
Transport, storage and communications	5.4	6.0
Wholesale and retail trade, hotel and restaurants	3.8	5.0
Finance, insurance, real estate and business services	8.2	7.7
Government services	4.3	4.5
Other services	3.2	4.4

<sup>e</sup> Estimates

<sup>f</sup> Forecast

#### The Construction Sector

In 2002, growth in the construction sector was maintained at 2.3%. Growth was supported mainly by higher Government expenditure on infrastructure projects and household demand for residential property. In the non-residential sub-sector, construction activity remained focused on existing projects given the prevailing large overhang of office and retail space.

While new construction in the residential sub-sector remained strong, overall demand for properties moderated. Demand for affordable and landed houses in choice locations with good accessibility, however, was sustained. Several factors lent support to residential development in 2002. The most significant were the promotion of home ownership via the stamp duty waiver in the first half of 2002 and attractive financing packages with very competitive rates offered by financial institutions.

Besides stimulating demand, the waiver on the stamp duties also contributed to an increase in the supply of houses. Several developers brought forward their launches originally planned for later in the year to take advantage of the waiver. While demand for the new launches remained firm, it was not adequate to absorb the increase in units under these new launches. Sales performance or the take-up rate of the newly launched houses was lower at 44% during the first half of 2002 compared with 56% in the first half of 2001.

(Source: *Bank Negara Malaysia Annual Report 2002*)

During the first quarter of 2003, construction sector activity expanded by 1.2%, supported by public sector projects and continued demand for housing, amidst an improving labour situation. The return of foreign workers enhanced expansion in construction activity.

(Source: *Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003*, Bank Negara Malaysia, 28 May 2003)

The table below shows that the construction sector has been improving since the based on the Gross Domestic Product by kind of economic activity at current prices, The percentage (%) annual change in the construction sector for the years from 2001 to 2003 are set out as below:-

Year	% in change
2001	2.3
2002 <sup>e</sup>	3.8
2003 <sup>f</sup>	4.5

<sup>e</sup> Estimates

<sup>f</sup> Forecast

(Source: *Economic Report 2002/3*, Ministry of Finance)

#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

##### Overview of the Property Market in Malaysia

The property market was active and stable following the better performance in the Malaysian economy. Measures in the Budget 2002, which included higher disposable income from pay increases to public sector employees and tax cuts benefited, in particular the residential property sector. Low interest rates, attractive loan packages and incentives by developers encouraged more purchasers to buy houses.

Rentals in most states were maintained. In Kuala Lumpur, the rental market went through a period of stability though a few buildings in the Golden Triangle and Jalan Ampang locality experienced increase of 3.0% - 10.0%. Offices sited in the vicinity of KLCC (Kuala Lumpur City Centre) moved up by 9.0% - 10.0%. Petronas Twin Towers continued to fetch premium rentals of RM70 – RM86 p.s.m. per month. Likewise in Selangor, rentals from the previous year were sustained. The move to Putrajaya by some government departments will have only minimal impact on rentals that are already low as government departments in Selangor are mostly state branches, not affected by the relocation exercise. In Johor, rentals dropped by another 5.0% - 10.0% in Johor Bahru while else where, rentals were maintained. Newer buildings which not only offer better services but also competitive rentals led to growing voids and rental reductions in older buildings. In Pulau Pinang, rentals have stabilized in the island while the newly completed EPF Building is offering a very competitive rental to attract tenants. In Seberang Perai, rental movements were mixed. In Perak, asking rentals were still at previous years' levels. In Negeri Sembilan, rentals were stable accompanied by a slowdown in the construction of office buildings.

By the end of the year, incoming supply of 2,190,531 square meter ("s.m.") of office space accounted for 16.9% of total office space nationwide. More than half of this space was located in Kuala Lumpur. Out of this space, a potential 159,419 s.m. of space will come on-stream next year. However this is unlikely to impact negatively on the oversupply situation in Kuala Lumpur in the near term. Based on the additional space of 156,517 s.m. of space absorbed by the Kuala Lumpur market, it is likely that space equivalent to the imminent supply will also be absorbed next year in anticipation of a stronger economic recovery. Planned space in the country remained high at 1,946,175 s.m. or 15.0% of existing space. Out of this planned space, 56.0% is located in Kuala Lumpur. On a positive note, the absence of conversion to new construction coupled with the reduction of space completed-on-year will provide some temporary relief to the Kuala Lumpur market. New planned supply nationwide is relatively low at 67,726 s.m. or 3.5% of planned supply.

The economy is expected to perform better next year. The growth in the service is likely to see a corresponding positive impact on the office property sector.

*(Source: Property Market Report 2002, Department of Statistic)*

##### Residential Property

Though the residential sector remains the main sector driving the property market, transactions in the residential sector reduced by 7.9% in volume and 4.8% in value compared to last year. A total of 162,269 transactions worth RM21,136.74 million was recorded this year. This does not indicate the actual situation in the residential market as it has not included REHDA's estimate of 85,747 transactions under the stamp duty waiver. The estimated figure, at more than half of total residential transactions, obviously reflected a more active market for residential properties.

*(Source: Property Market Report 2002, Department of Statistic)*

##### Retail Property

The commercial sector remained the third most active sector in the property market with 7.4% of overall number of transactions. The total number of properties transacted was 17,048 worth RM6,443.90 million. Out of this, the retail property sub-sector contributed 77.0% in volume and 68.8% in value. Transactions of retail properties involved 11,370 shop transactions and 1,750 transactions of retail lots in shopping complexes combined with shopping complexes respectively worth RM4,028.45 million and RM407.84 million.

Demand for shops has improved slightly by 4.9% in volume and 9.1% in value compared to last year. The states that showed increased activity in terms of number of transactions were Johor, Perak, Kedah, Negeri Sembilan, Perlis and Sabah. Johor noted a smaller increase in activity of 11.4% after experiencing 23.2% in growth last year. Perak turned around to record an

#### 4. INFORMATION ON THE AWC GROUP (Cont'd)

improvement of 22.0% after a similar 22.0% in contraction. On the other hand, transactions in Selangor declined by 6.0% after a significant surge of 182.0%. In Kuala Lumpur, transactions decreased marginally by 3% compared to the positive growth of 6.0% a year ago. Demand in Pulau Pinang was stable after a marginal reduction of 3.0%. Johor was the most actively transacted state with 2,386 transactions of shops followed closely by Selangor (2,169), Perak (1,820), Kedah (936) and Pulau Pinang (892).

However retail lots in shopping complexes including whole complexes, showed units transacted was about the same although there was a 9.3% decrease in the value of transactions. The bulk of these transactions were in Selangor with 17.9% of retail lot transactions, Pulau Pinang (16.3%), Perak (14.3%) and Kuala Lumpur (12.7%). Selangor and Perak showed a significant improvement in transactions with the reverse for the other two states.

*(Source: Property Market Report 2002, Department of Statistic)*

##### Purpose-built Office

There was minimal change in occupancy of purpose-built office space at the national level compared to last year. The rate of occupancy edged upwards by 0.3% over the year to 78.1%. The absorption of space increased by 3.3% (328,259 s.m.) to 10,145,903 s.m. of space occupied. This was less than the 374,750 s.m. of space coming on-stream in the current year which accounted for 2.9% of total existing space of 12,997,515 s.m. In line was the corresponding increase the occupancy of private buildings by 0.5% and a marginal 0.1% increase in the occupancy for government buildings.

*(Source: Property Market Report 2002, Department of Statistic)*

##### Future Outlook of the Malaysian Economy

In an environment of heightened uncertainty in the global economy, growth in the Malaysian economy would be mainly domestic driven, supported by a modest growth in external demand. Real GDP growth has the potential to be sustained in the region of 4.5% in 2003 (4.2% in 2002). However, unlike 2002, when the public sector remained the principal driver of economic growth, private sector demand is expected to assume a more significant role in driving economic expansion in 2003.

The improved domestic fundamentals would provide support for the sustained consumption and continued recovery in private investment. The public sector, whilst consolidating, would remain supportive of growth. External demand, however, remains a concern for possible downside risks. Malaysia's increased resilience provides the authorities with the policy flexibility to enhance domestic sources of growth. Hence, policies in 2003 would focus on promoting domestic-led private sector driven growth, with the Government providing a positive enabling environment for private sector activities and initiatives.

The projections for growth in 2003 are based on a modest world economic growth, some pick-up in the global electronics industry, firm commodity prices and further expansion in intra-regional trade. The expectation of a moderate pace of growth takes into account the increasing strength of domestic sources of growth following the restructuring of the financial and corporate sectors since the crisis. These developments would provide further flexibility for the economy in managing the uncertainties emanating from the spillover of geopolitical tensions. Increased domestic sources of growth in the region and the consequent stronger growth in regional trade would also contribute towards growth in Malaysia.

*(Source: Bank Negara Malaysia Annual Report 2002)*

In the 8<sup>th</sup> Malaysian Plan, the construction sector is projected grow at an annual average rate of 6.5 percent during the years 2001 to 2005, taking into consideration the excess supply of office and commercial space in the property market.

*(Source: Eighth Malaysian Plan 2001 – 2005, Government of Malaysia)*

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**4. INFORMATION ON THE AWC GROUP (Cont'd)**


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**4.6 Major Customers and Major Suppliers**Major customers

Based on the proforma consolidated profit and loss for the financial year ended 31 December 2002, the AWC Group does not have any customers with transaction volume exceeding 10% of its revenue except for the Kementerian Kerja Raya Malaysia, which is in relation to the Concession. The AWC Group has over 300 customers collectively in its Comprehensive Facility Management and M&E Engineering Divisions.

Major suppliers

The AWC Group does not have any suppliers exceeding 10% of its purchases based on the proforma consolidated profit and loss for the financial year ended 31 December 2002.

**4.7 Prospects of the AWC Group**

The prospects of the AWC Group, amongst others, include the following:-

## (i) Market

Due to the vigorous construction activities which have been occurring during the last ten years, there are many commercial, private and government buildings that have been constructed. Based on the Property Market Report 2002, total existing purpose-built office nationwide representing both private and government-owned space stood at 12,997,515 s.m. by the end of 2002. It included 374,750 s.m. of space completed throughout the year, which made up 2.9% of total existing space. Of this, 10,145,903 s.m. are occupied office space. As such, there is potential in AWC Group's business of providing integrated facilities and buildings solutions.

## (ii) Industry Opportunities

The integrated facilities and buildings solutions industry is a relatively new industry and the AWC Group is one of the prime movers in this developing industry. The facility management sector is a relatively new sector as there is currently little public awareness of an integration of facility management services but yet there is an increasing need for facility management as well as BAS/HVAC engineering services as new and smart buildings are being constructed. Facility management is becoming increasingly a necessity as building owners increasingly recognize and become aware of the benefits of having facility management managed by a single company. While the facility management industry is still in its infancy stage and there are opportunities for facility managers like AWSB and AWFM who can provide the building owners with services that will benefit them. In addition GGLN will help expand AWC Group facility management services thus enabling AWC Group to be more comprehensive with regards to the services it provides to its customers.

The M&E engineering industry is a mature industry with M&E engineering systems being an integral part of any building. The M&E engineering system can be set up in an existing or new buildings. Based on the Property Market Report 2002, there is a total purpose built office and commercial complex space of 19.07 million s.m. in Malaysia. This creates opportunity to M&C(M), M&C(S) and KPSB, which provide a comprehensive M&E engineering services under one roof.

The AWC Group is in a unique position as there is also currently no listed company on the KLSE which have been listed based on the core business of providing integrated facilities and buildings solutions or facility management and/or HVAC engineering services. However, there is a foreign company listed on the New York Stock Exchange which provides similar integrated facilities and buildings solutions as the enlarged AWC Group, with an approximate annual revenue of USD20 billion. This is a good example of the viability and potential for profitability of an integrated facilities and buildings solutions providers.

**4. INFORMATION ON THE AWC GROUP (Cont'd)****4.8 Future Plans of the AWC Group**

Given the prospect for expansion, the AWC Group will continue to focus on its present business activities comprising the Comprehensive Facility Management Division and M&E Engineering Division. In order to achieve growth in the AWC Group, it is currently adopting the following strategies:-

(i) Exploring and developing new markets

The AWC Group will continue to strive for a wider market for its services and products in both the private and government sector. The AWC Group plans to do this by using its Subsidiaries to gain access into markets in which they are not already competing. It is expected that AWSB whose strengths are in the government sector can provide M&C(M), M&C(S), GGLN and KPSB with access into the government sector market for HVAC controls, BAS and other M&E engineering services. Meanwhile, M&C(M), M&C(S), GGLN and KPSB which are already players in the private sector will be able to provide access for AWFMD into the private sector for the facility management services. It is the individual strengths of the Subsidiaries which the AWC Group can utilise to provide growth for both the facility management and HVAC systems engineering industries.

In addition, with M&C(S) already operating in Singapore, it will provide a platform for the AWC Group to expand regionally. This is important as the enlarged AWC Group will then be able to move into new markets.

(ii) Expansion of services and product range

The increasing need for facility management, BAS/HVAC systems engineering and controls and the other related services are becoming more visible with more emphasis on integrated facilities and buildings solutions which will allow businesses to focus on their core business. The AWC Group intends to expand its range of services, which may include specialist car park management and clean room maintenance and expanding their product range by obtaining additional distribution rights from different principals to meet this increase in demand and maintain its competitiveness within the industry.

(iii) Research and development activities

In order to expand its range of services and products the AWC Group will undertake research and development activities in terms of its project management skills and implementation methodology for the purpose of improving cost and time efficiency in completing projects undertaken to enhance their value-added engineering services and identify where weakness may occur in their value-added engineering methods. In addition, research and development into technical areas outside their current scope will allow the AWC Group to provide more services and save costs as with this, the AWC Group will be able to provide technical support for any of its services which it had to contract out previously due to lack of technical knowledge. With research and development, the AWC Group will be able to formulate better strategies and use better technical knowledge to provide more efficient and cost saving solutions to its customers.

(iv) Bidding for other contracts

The AWC Group's future plans also include the bidding for facility management of the country's latest buildings and plants which offers expansion opportunities for the AWC Group. The other areas which will require facility management and is a potential for the AWC Group are the major government projects which are not serviced yet such as ports and transportation hubs.

In addition, the AWC Group will be able to expand its facilities and buildings solution services for various types of buildings besides commercial complexes, industrial plants and office buildings to include healthcare buildings such as hospitals and clinics, cultural building such as mosques, churches, libraries, residential buildings such as condominiums and apartments and basically for most types of building for occupancy.