

**AWC FACILITY SOLUTIONS BERHAD**  
**(Company no. 550098-A)**  
**(Incorporated in Malaysia)**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006**

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**1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2006.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new/revised FRSs which became effective for financial periods beginning on and after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs does not have a significant financial impact on the Group except for the following:

**(i) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interest is now presented within equity. In the consolidated income statement, minority interest is presented as an allocation of the profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and minority interest.

The current period’s presentation of the Group’s financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period’s presentation.

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**1. BASIS OF PREPARATION (CONTD.)**

**(ii) FRS 140: Investment Property**

Investment properties are properties which are held to earn rental and/or for capital appreciation. With the adoption of FRS 140, certain assets previously classified under property, plant and equipment amounting to RM3.025 million have been reclassified to investment property as they meet the definition of investment property. Investment properties are stated at cost.

**2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the financial year ended 30 June 2006 was not subject to any audit qualification.

**3. EXTRAORDINARY AND EXCEPTIONAL ITEMS**

There were no extraordinary items during the current quarter under review.

**4. SEASONAL OR CYCLICAL FACTORS**

The Group's business was not affected by any significant seasonal or cyclical factors during the current quarter under review.

**5. CHANGE IN ESTIMATES**

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the current quarter.

**6. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

There was no sale of unquoted investments and properties during the current quarter under review.

**7. QUOTED SECURITIES**

There was no purchase or disposal of quoted securities for the current quarter and financial year-to-date. At the end of the current quarter under review, the Group did not hold any investments in quoted securities.

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**8. CHANGES IN COMPOSITION OF THE GROUP**

Acquisition of subsidiaries

On 29 September 2006, the Group had completed the acquisition of 51% equity interests in Infinite QL Sdn Bhd (“IQL”) and its subsidiaries which are involved in research and development and subsequent commercialization of microelectronic products, consumer electronic products and security related products. The total purchase consideration of RM15.3million is payable in cash in the following manner:

	<b>RM’000</b>
Deposit – paid on 16 March 2006 upon signing of SPA	200
1 <sup>st</sup> Tranche – paid upon completion on 29 September 2006	10,100
	10,300
2 <sup>nd</sup> Tranche – upon fulfillment of profit guarantee for FY ending 30 November 2006	2,000
3 <sup>rd</sup> Tranche – upon fulfillment of profit guarantee for FY ending 30 November 2007	1,500
4 <sup>th</sup> Tranche – upon fulfillment of profit guarantee for FY ending 30 November 2008	1,500
<b>Total Purchase Consideration</b>	<b>15,300</b>

The acquired subsidiaries have contributed the following results to the Group:

	<b>3 months ended 31.12.2006 RM’000</b>
Revenue	4,427
Profit for the period	891

The assets and liabilities arising from the acquisition are as follows:

	<b>Fair Value RM’000</b>
Property, plant and equipment	1,054
Intangible assets	2,249
Goodwill	1,024
Inventories	677
Trade and other receivables	12,524
Deposits with licensed banks	1,047
Cash and bank balances	58
Trade and other payables	(5,132)
Borrowings	(3,146)
Provision for taxation	(139)
Deferred tax liabilities	(400)
Total net assets	9,816
Less: Minority interest	(4,810)
Group’s share of net assets	5,006
Goodwill arising on acquisition	10,294
	<b>15,300</b>

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The cash outflow on acquisition is as follows:

	<b>3 months ended 31.12.2006 RM'000</b>
Purchase consideration satisfied by cash	10,300
Deferred payments	5,000
Total cash outflow of the Company	<u>15,300</u>
Cash and cash equivalent of subsidiaries acquired	<u>302</u>
Net cash outflow of the Group	<u><u>15,602</u></u>

**9. CORPORATE PROPOSALS**

There were no corporate proposals announced that require any disclosure in this report.

**10. DEBT AND EQUITY SECURITIES**

There were no issuance and repayment of debt and equity securities during the current quarter under review.

The Company did not purchase any further amount of its own ordinary shares during the quarter under review. The Company is currently holding 1,336,800 shares as treasury shares at an average purchase price of RM0.28 per share.

There was no cancellation of shares or resale of treasury shares during the quarter.

**11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Directors are not aware of any material contingent liabilities or contingent assets of the Group as at the date of this report.

**12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There are no off balance sheet financial instruments as at the date of this report.

**13. MATERIAL LITIGATION**

There are no material litigations or claims against the Group as at the date of this report.

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**14. SEGMENTAL INFORMATION**

Segmental analysis for the current financial year to date is as follows:

	Investment holding	Integrated facility management	M&E engineering	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External revenue	-	17,196	27,152	-	44,348
Inter-segment revenue	818	6,800	623	(8,241)	-
Total revenue	818	23,996	27,775	(8,241)	44,348
<b>Results</b>					
Profit from operations	(612)	2,686	2,753	-	4,827
Net finance costs	(114)	(149)	(271)	26	(508)
Profit before tax					4,319
Taxation					(1,061)
Net profit for the period					3,258

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

	Current Quarter Ended 31 December 2006 RM'000	Preceding Quarter Ended 30 September 2006 RM'000	Variance	
			RM'000	%
Profit Before Taxation	2,599	1,785	814	46

Profit before taxation for the current quarter amounted to RM2.59 million compared to RM1.79 million in the immediate preceding quarter. The main contributor to this increase was IQL which results amounting to approximately RM891k were consolidated into the AWC Group beginning from 1 October 2006. The performance of the other subsidiaries of the AWC Group remained fairly consistent from the previous quarter.

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**16. PERFORMANCE REVIEW**

	Current Quarter Ended 31.12.2006 RM'000	Preceding Quarter Ended 30.9.2006 RM'000	Variance		Prior Year Corresponding Quarter Ended 31.12.2005 RM'000	Variance	
			RM'000	%		RM'000	%
Revenue	27,002	19,470	7,532	38.7	23,328	3,674	15.7
Profit before taxation	2,599	1,785	814	45.6	3,342	(743)	(22.2)
Profit attributable to equity holders of the parent	1,385	1,336	49	3.6	1,826	(441)	(24.2)

**16.1 Revenue**

Revenue for the current quarter under review, as compared to the immediate preceding quarter has increased by RM7.5 million or 38.7%. The main contributor to this improved performance was the IQL Group which contributed an additional RM4.4 million in revenue for the quarter under review. Further, other subsidiaries in the M&E Division also showed improved performance due to variation orders for certain projects which were approved by clients in the current quarter.

When compared to the corresponding quarter last year, revenue has increased by RM3.7million (15.7%). The main contributor to this increase was the contributions of the IQL Group as explained above.

**16.2 Profit Before Taxation**

Profit before taxation for the current quarter has shown an increase compared to the immediate preceding quarter (RM814K or 45.6%), but a decrease as compared to the prior year corresponding quarter (RM743K or 22.2%).

The improvement compared to the immediate preceding quarter has been explained in note 15 above. When compared to the corresponding quarter last year, the decrease is due mainly to the performance of a certain M&E subsidiary where progress of certain projects undertaken experienced delays due to late sign offs by customers.

**16.3 Profit Attributable To Equity Holders Of The Parent**

The current quarter shows profit attributable to equity holders of the parent of RM1.38 million compared to RM1.34 million in the preceding quarter and RM1.83 million in the corresponding quarter last year. The analysis of the performance is as explained in para 16.2 above.

**17. COMMENTARY ON PROSPECTS**

The IFM Division remains fairly stable, and continues to contribute positively towards the Group's performance. The M&E Division continues to seek out additional contracts and revenue streams. Efforts are also ongoing to expand our client base overseas, for both Divisions.

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With the successful completion of the acquisition of IQL in September 2006, and barring unforeseen circumstances, the Group expects its financial performance for the future to improve from that of financial year ended 30 June 2006.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

**19. TAXATION**

	<b>Current quarter ended 31.12.2006 RM'000</b>	<b>Year to date ended 31.12.2006 RM'000</b>
Tax expense for the period	553	1,233
Deferred taxation	-	(172)
	553	1,061

The Group's effective tax rate for the current quarter and the current financial year to date is lower than the statutory tax rate of 27% mainly due to the income of a certain subsidiary which has been granted Multimedia Super Corridor ("MSC") status thus being tax exempt.

**20. CARRYING AMOUNT OF REVALUED ASSETS**

Not applicable

**21. BORROWINGS**

	<b>At 31.12.2006 RM'000</b>	<b>At 30.6.2006 RM'000</b>
Secured Short-term Borrowings:		
Bank overdrafts	2,765	834
Banker acceptances	1,698	-
Term loan (due within 12 months)	2,021	1,190
Hire purchase payables (due within 12 months)	160	223
	6,644	2,247
Unsecured Bank overdrafts	382	435
Unsecured Short-term Multi trade facility	52	129
Total Short-term Borrowings	7,078	2,811
Secured Long-term Borrowings:		
Term loan (due after 12 months)	3,473	3,199
Hire purchase payables (due after 12 months)	262	359
	3,735	3,558
Total Borrowings	10,813	6,369

All of the above borrowings are denominated in Ringgit Malaysia except for RM47,796 (2006: RM55,166) which are denominated in Singapore Dollars.

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**22. SUBSEQUENT EVENTS**

There were no material events which occurred subsequent to the end of the current quarter that requires adjustment to, or disclosure in the interim financial reports.

**23. COMMITMENTS**

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

	<b>At 31.12.2006 RM'000</b>	<b>At 30.6.2006 RM'000</b>
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	89	123
Later than 1 year and not later than 2 years	-	2
	89	125

**24. EARNINGS PER SHARE**

The basic earnings per ordinary share of the Group is calculated based on the Group's net profit for the period attributable to equity holders of the parent over the weighted average number of ordinary shares in issue during the period as follows:

	<b>Current quarter ended 31.12.2006</b>	<b>Year to date ended 31.12.2006</b>
Profit attributable to equity holders of the parent (RM'000)	1,385	2,656
Weighted average number of ordinary shares in issue ('000)	227,410	227,410
Basis earnings per share (sen)	0.61	1.16

The Group did not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares in the Company and therefore, there is no potential dilutive effect to its basic earnings per share.

**25. AUTHORISATION FOR ISSUE**

This interim financial report has been approved by the Board of Directors of the Company for issuance on 27 February 2007.

**26. DIVIDENDS**

The shareholders of the Company have approved the final dividend of 2% (less tax at 28%) in respect of the financial year ended 30 June 2006 at the Annual General Meeting held on 9 November 2006 and was paid on 20 December 2006.

The Board has not recommended any interim dividends for the current financial quarter.