

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE QUARTER ENDED 30 JUNE 2007**

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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 RM3.612 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**

There were no changes in the composition of the Group during the current quarter.

**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 carry out any further purchase of its own ordinary shares during the quarter under review. The company is currently holding 1,436,800 shares as treasury shares at an average purchase price of RM0.28 per share.

There were 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	-	44,440	62,718	-	107,158
Inter-segment revenue	1,273	9,839	19,506	(30,618)	-
Total revenue	1,273	54,279	82,224	(30,618)	107,158
<b>Results</b>					
Profit from operations	105	4,376	13,051	(4,896)	12,636
Net finance costs	(227)	(149)	(455)	52	(779)
Profit before tax					11,857
Taxation					(3,250)
Net profit for the period					8,607

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

	Current Quarter Ended 30 June 2007 RM'000	Preceding Quarter Ended 31 March 2007 RM'000	Variance	
			RM'000	%
Profit Before Taxation	3,747	4,080	(333)	8.2

Profit before taxation for the current quarter amounted to RM3.75 million compared to RM4.08 million in the immediate preceding quarter. The drop of approximately RM333k or 8.2% was due to the overall decrease in profit before taxation for the M&E Division. This was due to the progress of certain M&E projects normalising in the current quarter as compared to the preceding quarter which had achieved a significantly higher rate of progress than normal.

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**16. PERFORMANCE REVIEW**

	Current Quarter Ended 30.6.2007 RM'000	Preceding Quarter Ended 31.3.2007 RM'000	Variance		Prior Year Corresponding Quarter Ended 30.6.2006 RM'000	Variance	
			RM'000	%		RM'000	%
Revenue	32,453	27,182	5,271	19.4	20,719	11,734	56.6
Profit before taxation	3,747	4,080	(333)	(8.2)	1,909	1,838	96.3
Profit attributable to equity holders of the parent	1,679	1,730	(51)	(2.9)	139	1,540	1,107.9

16.1 Revenue

Revenue for the current quarter under review, as compared to the immediate preceding quarter has increased by RM5.3 million or 19.4%. This increase in revenue was attributable to both the IFM and M&E Divisions' improved performance. In the IFM Division, the improvement was due to certain large scale special project works undertaken for our IFM customers. For the M&E Division, the improvement in revenue was contributed by the recognition of certain work in progress undertaken where significant progress was achieved.

Revenue has increased by RM11.7 million (56.6%) when compared to the corresponding quarter last year. The main contributor to this improved performance was the IQL Group which became a part of the Group in the current financial year.

16.2 Profit Before Taxation

Profit before tax has decreased by RM333k or 8.2% from RM4.1 million in the preceding quarter to RM3.7 million in the current quarter, as explained in Note 15. However, profit before tax has increased by approximately RM1.8 million in the current quarter as compared to the corresponding quarter last year. These increases are attributable mainly to the inclusion of IQL as a subsidiary from October 2006 and the revenue and profits arising therefrom. Another factor was the making of certain provisions for doubtful debts for the IFM Division which were effected in the corresponding quarter last year.

16.3 Profit Attributable To Equity Holders Of The Parent

The current quarter shows profit attributable to the equity holders of the parent of RM1.68 million as compared to RM1.73 million in the preceding quarter and RM139k in the corresponding quarter last year. As mentioned in para 16.2, this increase is due to the performance of IQL since joining the Group and also the making of provisions for doubtful debts in the IFM Divisions in the corresponding quarter last year.

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**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.

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 for financial year ended 30 June 2006 and for the recently concluded financial year.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

**19. TAXATION**

	<b>Current quarter ended 30.6.2007 RM'000</b>	<b>Year to date ended 30.6.2007 RM'000</b>
Tax expense for the period	1,667	3,875
Deferred taxation	(637)	(625)
	<u>1,030</u>	<u>3,250</u>

The Group's effective tax rate for the current quarter and the current financial year to date is higher than the statutory tax rate of 27% mainly due to certain expenses being disallowed.

**20. CARRYING AMOUNT OF REVALUED ASSETS**

Not applicable

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**21. BORROWINGS**

	<b>At 30.6.2007 RM'000</b>	<b>At 30.6.2006 RM'000</b>
Secured Short-term Borrowings:		
Bank overdrafts	1,838	834
Banker acceptances	1,377	-
Term loan (due within 12 months)	1,318	1,190
Hire purchase payables (due within 12 months)	357	223
	4,890	2,247
Unsecured Bank overdrafts	411	435
Unsecured Short-term Multi trade facility	59	129
<b>Total Short-term Borrowings</b>	<b>5,360</b>	<b>2,811</b>
Secured Long-term Borrowings:		
Term loan (due after 12 months)	2,715	3,199
Hire purchase payables (due after 12 months)	936	359
	3,651	3,558
<b>Total Borrowings</b>	<b>9,011</b>	<b>6,369</b>

All of the above borrowings are denominated in Ringgit Malaysia except for RM40,427 (2006: RM55,166) which are denominated in Singapore Dollars.

**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 30.6.2007 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	156	123
Later than 1 year and not later than 2 years	120	2
Later than 2 years and not later than 5 years	24	-
	300	125

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**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 30.6.2007</b>	<b>Year to date ended 30.6.2007</b>
Profit attributable to equity holders of the parent (RM'000)	1,679	6,167
Weighted average number of ordinary shares in issue ('000)	227,326	227,326
Basis earnings per share (sen)	0.74	2.70

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 21 August 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.