

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

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

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 2007.

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 2007.

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 2007 except for the adoption of the following new and revised FRS issued by Malaysian Standards Board (“MASB”) that are effective for the Group for the financial period beginning 1 January 2007:

- FRS 117 Leases
- FRS 124 Related party disclosures

The adoption of FRS 117 and FRS 124 mentioned above does not have significant financial impact on the Group or prior year financial statements.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 30 June 2007 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.

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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007**

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.

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.

Share Buy-Back

The Company had on 27 August 2007 purchased 50,000 of its own ordinary shares from the open market. The shares which were purchased at a market price of RM0.28 per share for a total consideration of RM14,103.60 were financed by internally generated funds. These shares are being held as treasury shares. Subsequent to this purchase the Company is holding 1,486,800 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 RM'000	Integrated facility management RM'000	M&E engineering RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	-	11,165	12,883	-	24,048
Inter-segment revenue	1,308	2,382	118	(3,808)	-
Total revenue	1,308	13,547	13,001	(3,808)	24,048
Results					
Profit from operations	1,008	979	731	(1,327)	1,391
Net finance costs	(55)	(48)	(100)	13	(190)
Profit before tax					1,201
Taxation					(683)
Net profit for the period					518

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

	Current Quarter Ended 30 September 2007 RM'000	Preceding Quarter Ended 30 June 2007 RM'000	Variance	
			RM'000	%
Profit Before Taxation	1,201	3,747	(2,546)	(67.9)

Profit before taxation for the current quarter amounted to RM1.2 million compared to RM3.75 million in the immediate preceding quarter. The drop of approximately RM2.55 million or 67.9% was due to the overall decrease in profit before taxation for both IFM and M&E Divisions. This was due to lower revenue earned in the current quarter by both Divisions. In the M&E Division certain subsidiaries had incurred substantial costs for ongoing projects which had not yet been billed to customers due to late sign offs by the customers.

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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007**

16. PERFORMANCE REVIEW

	Current Quarter Ended 30.9.2007 RM'000	Preceding Quarter Ended 30.6.2007 RM'000	Variance		Prior Year Corresponding Quarter Ended 30.9.2006 RM'000	Variance	
			RM'000	%		RM'000	%
Revenue	24,048	32,453	(8,405)	(25.9)	19,470	4,578	23.5
Profit before taxation	1,201	3,747	(2,546)	(67.9)	1,785	(584)	(32.7)
Profit attributable to equity holders of the parent	518	1,679	(1,161)	(69.1)	1,336	(818)	(61.2)

16.1 Revenue

Revenue for the current quarter under review, as compared to the immediate preceding quarter has decreased by RM8.4 million or 25.9%. This decrease in revenue was mainly due to the completion of several projects undertaken by certain subsidiaries during the previous quarter and no additional contracts of similar value are ongoing in the current quarter under review.

Revenue has increased by RM4.6 million (23.5%) when compared to the corresponding quarter last year. The increase in revenue was contributed by both the IFM and M&E Divisions' improved performance. For the M&E Division, this was due to the inclusion of IQL in the consolidated results which only commenced in the second quarter of the previous financial year.

16.2 Profit Before Taxation

Profit before tax for the current quarter has shown a drop compared to the immediate preceding quarter (RM2.5 million or 67.9%) and against the prior year corresponding quarter (RM584k or 32.7%).

The drop compared to the immediate preceding quarter has been explained in Note 15 above. When compared to the corresponding quarter last year, the variance is due mainly to several subsidiaries in the M&E Division which had incurred substantial costs in the current quarter as also explained in Note 15. This situation is expected to normalize over the next two quarters.

16.3 Profit Attributable To Equity Holders Of The Parent

The current quarter shows profit attributable to the equity holders of the parent of RM518k as compared to RM1.68 million in the preceding quarter and RM1.34 million in the corresponding quarter last year. This decrease is due mainly to the reasons as set out in Note 15.

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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007**

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.

Barring unforeseen circumstances, the Group expects its financial performance for the future to improve from that for financial year ended 30 June 2007.

18. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

19. TAXATION

	Current quarter ended 30.9.2007	Year to date ended 30.9.2007
	RM'000	RM'000
Tax expense for the period	683	683
Deferred taxation	-	-
	<hr/>	<hr/>
	683	683

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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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007**

21. BORROWINGS

	At 30.9.2007 RM'000	At 30.6.2007 RM'000
Secured Short-term Borrowings:		
Bank overdrafts	1,667	1,551
Banker acceptances	1,049	1,377
Term loan (due within 12 months)	1,218	1,318
Hire purchase payables (due within 12 months)	378	357
	<u>4,312</u>	<u>4,603</u>
Unsecured Bank overdrafts	420	411
Unsecured Short- term Multi trade facility	-	59
Total Short-term Borrowings	<u>4,732</u>	<u>5,073</u>
Secured Long-term Borrowings:		
Term loan (due after 12 months)	4,827	2,715
Hire purchase payables (due after 12 months)	1,103	936
	<u>5,930</u>	<u>3,651</u>
Total Borrowings	<u>10,662</u>	<u>8,724</u>

All of the above borrowings are denominated in Ringgit Malaysia except for RM36,742 (2007: RM40,427) 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:

	At 30.9.2007 RM'000	At 30.6.2007 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	1,082	1,094
Later than 1 year and not later than 2 years	825	998
Later than 2 years and not later than 5 years	256	350
	<u>2,163</u>	<u>2,442</u>

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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007**

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:

	Current quarter ended 30.9.2007	Year to date ended 30.9.2007
Profit attributable to equity holders of the parent (RM'000)	808	808
Weighted average number of ordinary shares in issue ('000)	227,238	227,238
Basis earnings per share (sen)	<u>0.36</u>	<u>0.36</u>

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 28 November 2007.

26. DIVIDENDS

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