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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2008

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, amendments and Interpretations issued by Malaysian Standards Board ("MASB") that are effective for the Group for the financial period beginning on and after 1 July 2007:

FRS 107 : Cash Flow Statements
FRS 111 : Construction contracts
FRS 112 : Income Taxes
FRS 118 : Revenue
FRS 124 : Related Party Disclosures
FRS 134 : Interim Financial Reportng
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets
FRS 6 : Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119 : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Liabilities
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7 : Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
IC Interpretation 8 : Scope of FRS 2

The adoption of the above new and revised FRSs, amendments and IC Interpretations did not result in significant changes to the accounting policies of the Company.

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.

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

On 13 June 2008, the Group has disposed of its entire 100% equity interest in Plant and Maintenance Engineering Sdn Bhd ('PME') consisting of 400,000 ordinary shares of RM1.00 each to Point-Euro Malaysia Sdn Bhd for a cash consideration of RM750,000.

(a) The effect of the disposal and deconsolidation on the financial position of the Group as at 30 June 2008 was as follows:-

	At disposal date
	RM'000
Property, plant and equipment	419
Goodwill on consolidation	1,435
Inventories	52
Trade receivables	295
Other receivables, deposits and prepayment	211
Cash and bank balances	124
Trade payables	(214)
Other payables & accrued expenses	(194)
Borrowing	(22)
Total net assets disposed	2,106
Loss on disposal of to the Group	(1,356)
Net proceeds from disposal of a subsidiary company	750
Less: Cash and bank balances of a subsidiary company disposed of	(124)
Effect of disposal of a subsidiary company, net of cash disposed	626

(b) The effect of the disposal on the financial position of the Group for the financial period up to the date of disposal was as follows:-

	RM'000
Revenue	2,325
Cost of sales	(1,488)
Gross profit	837
Other income	56
Waiver of inter-co balances	1,340
Administrative and other operating expenses	(993)
Profit from operations	1,240
Finance cost	(78)
Profit for the year	1,162

Other than as disclosed above, there were no changes in the composition of the Group during the financial year to date.

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.

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.

14. SEGMENTAL INFORMATION

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

	Investment Holding	Integrated Facility Management	M&E	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	-	51,953	46,935	-	98,888
Inter-segment revenue	10,706	4,104	413	(15,223)	-
Total revenue	10,706	56,057	47,348	(15,223)	98,888
Results					
Profit/(Loss) from operations	1,812	(2,136)	(400)	(8,345)	(9,069)
Net finance costs	(165)	(202)	(356)	-	(723)
Loss before tax					(9,792)
Taxation					(1,179)
Net loss for the period					(10,971)

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

	Current Quarter Ended 30 June 2008 RM'000	Preceding Quarter Ended 31 March 2008 RM'000	Variance RM'000
Loss Before Taxation	10,355	598	10,953

The Group recorded a loss before taxation for the current quarter amounted to RM10.36 million compared to loss before taxation of RM598,000 in the immediate preceding quarter**.** The drop of approximately RM10.95 million was due to lower gross profit and higher other operating expenses compared to the immediate preceding quarter.

Lower gross profit in the current quarter was attributable to the recognition of cost of sales previously undercharged in the last accounting year amounting to RM3.0 million and higher overall operating cost of sales. The increase in other operating expenses was mainly due to the provision for impairment of goodwill amounting to RM4.1 million, RM1.36 mil loss in relation to the 100% disposal of PME as mentioned in paragraph 8 above and overall increase in operating expenses.

16. PERFORMANCE REVIEW

	Current Quarter Ended 30.06.2008 RM'000	Preceding Quarter Ended 31.03.2008 RM'000	Variance RM'000	Prior Year Corresponding Quarter Ended 30.06.2007 RM'000	Variance RM'000
Revenue	23,165	23,856	(691)	32,453	(9,288)
(Loss)/Profit before taxation	(10,355)	(598)	(9,757)	3,747	(14,102)
(Loss)/Profit attributable to equity holders of the parent	(11,156)	(228)	(11,384)	1,679	(12,835)

16.1 <u>Revenue</u>

The Group's revenue for the current quarter under review, as compared to the immediate preceding quarter has decreased by approximately RM691,000 or 3%. This drop in revenue was attributable to lower variation orders secured from Kementerian Kerja Raya ('KKR') by the Integrated Facility Management Division ('IFM') during the quarter.

The Group's revenue was 29% lower in the current quarter due to lower variation order secured from KKR compared to RM4.4 mil secured in the corresponding quarter last year. In addition, the Group also recorded lower revenue from its mechanical and engineering contracting unit due to lack of fresh new contracts.

16.2 Profit Before Taxation

Profit before tax for the current quarter dropped by RM10.01 million compared to the corresponding quarter last year. The recognition of expenses previously under-recognised last year and the low variation order work from the KKR have contributed to lower gross profit and subsequently profit before tax, for the current quarter

Similarly, the one-off expenses which include the RM4.1 million provision for impairment of goodwill on acquisition and the cost related to the disposal of PME also contributed to the loss before tax position in the current quarter and the whole financial year.

17. COMMENTARY ON PROSPECTS

The current year performance has been characterized by several one-off expenses as part of the Group's restructuring initiative in order to have a solid foundation moving forward. The 2008/2009 financial year is expected to be a challenging year for the Group as the domestic economic climate is expected to be unfavorable. The Board of Directors however is of the opinion that the Group's on-going restructuring initiatives are expected to mitigate this impact by focusing on improving long term competitiveness and financial performance.

18. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

19. TAXATION

	Current quarter ended 30.06.2008 RM'000	**Year to date ended 30.06.2008 RM'000**
Tax expense for the period	336	1,179
Deferred taxation	-	-
	336	1,179

The Group's effective tax rate is higher than the statutory tax rate mainly due to the loss suffered by some subsidiaries of the Group which cannot offset by profits of the other subsidiaries.

20. CARRYING AMOUNT OF REVALUED ASSETS

Not applicable

21. BORROWINGS

	At 30.06.2008 RM'000	At 30.6.2007 RM'000
Secured Short-term Borrowings:		
Bank overdrafts	1,329	1,961
Banker acceptances/Revolving credit	950	1,377
Term loan (due within 12 months)	860	1,318
Hire purchase payables (due within 12 months)	275	358
	3,414	5,014
Unsecured Short- term Multi trade facility	-	59
Total Short-term Borrowings	3,414	5,073
Secured Long-term Borrowings:		
Term loan (due after 12 months)	5,866	2,715
Hire purchase payables (due after 12 months)	922	936
	6,788	3,651
Total Borrowings	10,202	8,724

All of the above borrowings are denominated in Ringgit Malaysia except for RM25,690 (2007: RM40,427) which are denominated in Singapore Dollars.

22. SIGNIFICANT AND SUBSEQUENT EVENT

There were no material events subsequent to 30 June 2008 to the date of this report that have not been reflected in the financial statements for the current financial period.

23. COMMITMENTS

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

	At 30.06.2008 RM'000	At 30.6.2007 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	892	1,094
Later than 1 year and not later than 2 years	168	998
Later than 2 years and not later than 5 years	6	350
	1,066	2,442

24. EARNINGS PER SHARE

The basic earnings per ordinary share of the Group is calculated based on the Group's net loss 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 30.06.2008	**Year to date ended 31.03.2008**
Loss attributable to equity holders of the parent (RM'000)	(11,156)	(10,659)
Weighted average number of ordinary shares in issue ('000)	226,942	226,942
Basic earnings per share (sen)	(4.92)	(4.70)

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. DIVIDENDS

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

26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 28 August 2008.