

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 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 2008.

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 2008.

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 2008.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the financial year ended 30 June 2008 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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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 has been no change to the composition of the Group during the current financial quarter.

9. CORPORATE PROPOSALS

There were no other corporate proposals announced that require any disclosure in this announcement other than that disclosed in Note 22.

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 4 September 2008 purchased 100,000 of its own ordinary shares from the open market. The shares which were purchased at a market rate of RM0.13 per share for a total consideration of RM13,000.00 were financed by internally generated funds. These shares are being held as treasury shares. Subsequent to this purchase, the Company is holding 1,836,800 shares as treasury shares at an average purchase price of RM0.26 per share.

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

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Current quarter ended 30.09.2008 RM'000	Year to date ended 30.06.2008 RM'000
Unsecured contingent liabilities:		
Bank guarantees extended to third parties	903	903

12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

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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 period 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	-	10,503	8,103	-	18,606
Inter-segment revenue	510	37	78	(625)	-
Total revenue	510	10,540	8,181	(625)	18,606
Results					
Loss from operations	(268)	(125)	(1,288)	-	(1,681)
Net finance costs	(28)	(68)	(97)	-	(193)
Loss before tax					(1,874)
Taxation					(51)
Net loss for the period					(1,925)

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

	Current Quarter Ended 30 September 2008 RM'000	Preceding Quarter Ended 30 June 2008 RM'000	Variance
			RM'000
Loss Before Taxation	(1,874)	(10,355)	8,481

The Group recorded a loss before taxation for the current quarter amounted to RM1.87 million compared to loss before taxation of RM10.36 million in the immediate preceding quarter. Higher loss in previous quarter was attributable to the provision in relation to utilities claimable under dispute amounting to RM3.0 million, impairment loss on goodwill amounting to RM4.1 million and loss in relation to the disposal of 100% equity in Plant & Maintenance Engineering Sdn Bhd amounting to RM1.3 million.

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16. PERFORMANCE REVIEW

	Current Quarter Ended 30.09.2008 RM'000	Preceding Quarter Ended 30.06.2008 RM'000	Variance	Prior Year Corresponding Quarter Ended 30.09.2007 RM'000	Variance
			RM'000		RM'000
Revenue	18,606	23,165	(4,559)	24,048	(5,442)
(Loss)/Profit before taxation	(1,874)	(10,355)	8,481	1,201	(3,075)
(Loss)/Profit attributable to equity holders of the parent	(1,073)	(11,156)	10,083	808	(1,881)

16.1 Revenue

The Group's revenue for the current quarter under review has decreased by approximately RM4.56 million or 20% compared to the immediate preceding quarter. This drop in revenue was attributable to lower contract revenue in the M&E division resulted from delays in a few projects.

Compared to the corresponding quarter last year, revenue decreased by RM5.44 million (23%) due to the delays in a few projects as explained above and also the impact of downsizing of few subsidiaries in the M&E division.

16.2 (Loss)/Profit Before Taxation

The Group suffered a loss before tax for the current quarter of RM1.9 million compared to a profit position RM1.2 million in the corresponding quarter last year. Higher loss during the quarter is due to the additional costs incurred and delays in projects in the M&E division.

17. COMMENTARY ON PROSPECTS

The current quarter's performance was affected by unexpected delays in the implementation of certain projects in the M & E division partly due to the economic slowdown. The Group is preparing itself for greater volatility in the global economic outlook and the likelihood of a weaker domestic demand. However, the Group's on-going cost saving and restructuring initiatives are expected to improve its competitive advantage and build resilience in the face of uncertain future.

18. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable.

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19. TAXATION

	Current quarter ended 30.09.2008 RM'000	Year to date ended 30.09.2008 RM'000
Tax expense for the period	51	51
Deferred taxation	-	-
	<u>51</u>	<u>51</u>

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 30.09.2008 RM'000	At 30.06.2008 RM'000
Secured Short-term Borrowings:		
Bank overdrafts	1,165	1,329
Revolving credit	950	950
Term loan (due within 12 months)	890	945
Hire purchase payables (due within 12 months)	399	357
	<u>3,404</u>	<u>3,581</u>
Unsecured Short- term Multi trade facility	-	-
Total Short-term Borrowings	<u>3,404</u>	<u>3,581</u>
Secured Long-term Borrowings:		
Term loan (due after 12 months)	5,606	5,781
Hire purchase payables (due after 12 months)	830	859
	<u>6,436</u>	<u>6,640</u>
Total Borrowings	<u>9,840</u>	<u>10,221</u>

All of the above borrowings are denominated in Ringgit Malaysia except for RM22,004 (2008: RM25,690) which are denominated in Singapore Dollars.

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22. SIGNIFICANT AND SUBSEQUENT EVENT

On 19 November 2008, the Company entered into and completed a share sale agreement in respect of a disposal of its entire 100% equity interest in Kejuruteraan Putrajaya Sdn Bhd consisting of 800,000 ordinary shares of RM1.00 each to Albert Quek and Balakrishnan A/L Ponnisamy for a total cash consideration of RM1.3 million. The disposal has resulted a loss of RM0.5 million to the Group.

23. COMMITMENTS

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

	At 30.09.2008 RM'000	At 30.6.2008 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	647	898
Later than 1 year and not later than 2 years	168	170
Later than 2 years and not later than 5 years	6	6
	821	1,074

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 30.09.2008	Year to date ended 30.09.2008
Loss attributable to equity holders of the parent (RM'000)	(1,073)	(1,073)
Weighted average number of ordinary shares in issue ('000)	226,842	226,842
Basic earnings per share (sen)	(0.47)	(0.47)

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.

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26. AUTHORISATION FOR ISSUE

This interim financial report has been approved by the Board of Directors of the Company for issuance on 25 November 2008.