

**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 2008**

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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 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**

On 19 November 2008, the Group has disposed 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 RM1.30 million.

- (a) The effect of the disposal and deconsolidation on the financial position of the Group as at 31 December 2008 was as follows:-

	At disposal date
	RM'000
Trade receivables	3,431
Other receivables, deposits and prepayment	12
Tax recoverable	198
Cash and bank balances	782
Trade payables	(2,578)
Other payables & accrued expenses	(18)
Deferred taxation	(30)
Total net assets disposed	1,797
Loss on disposal to the Group	(497)
Net proceeds from disposal of a subsidiary company	1,300
Less: Cash and bank balances of a subsidiary company disposed of	(782)
Effect of disposal of a subsidiary company, net of cash disposed	518

- (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:-

	<u>RM'000</u>
Revenue	-
Cost of sales	-
Gross profit	-
Other income	-
Administrative and other operating expenses	(80)
Loss from operations	(80)
Finance cost	-
Net loss for the year	(80)

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On 25 November 2008, Nexaldes Sdn Bhd, a 51% subsidiary of AWC Facility Berhad, has acquired 100 shares of AED1,000 each in Stream FZC, representing 100% of the share capital of Stream FZC for a total cash consideration of AED100,000 (equivalent to approximately RM100,000) from Mr. Gan Geok Soon, Mr. Sri Skanda Rajah A/L S. Ratnam and Mr. Darryll Danendra Sinnappa. The acquisition of Stream FZC has no material impact on the earnings and net assets of AWC Group.

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	RM'000
Investment in associated company	660
Other receivables, deposits and prepayment	291
Cash and bank balances	33
Other payables	(1,079)
Fair value of total net liabilities	(95)
Goodwill on acquisition	195
Cost of acquisition	100
Cash and cash equivalents of subsidiary acquired	(33)
Net cash outflow to the Group	67

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

**9. CORPORATE PROPOSALS**

There were no corporate proposals announced during the quarter under review that require any disclosure in this report, other than disclosed in Note 8 above.

**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**

	Current quarter ended 31.12.2008 RM'000	Year to date ended 30.06.2008 RM'000
Unsecured contingent liabilities:		
Bank guarantees extended to third parties	-	903
	-	903

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**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 period to date is as follows:

	Investment Holding	Integrated Facility Management	Mechanical &Electrical Engineering	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External revenue	-	20,292	16,302	-	36,594
Inter-segment revenue	4,817	21	198	(5,036)	-
Total revenue	4,817	20,313	16,500	(5,036)	36,594
<b>Results</b>					
(Loss)/ Profit from operations	(209)	923	(3,376)	(853)	(3,515)
Finance costs	(51)	(141)	(375)	-	(567)
Loss before tax					(4,082)
Taxation					(220)
Net loss for the period					(4,302)

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

	Current Quarter Ended 31 December 2008 RM'000	Preceding Quarter Ended 30 September 2008 RM'000	Variance RM'000
Loss Before Taxation	2,208	1,874	334

The Group recorded a loss before taxation for the current quarter amounted to RM2.21 million compared to loss before taxation of RM1.87 million in the immediate preceding quarter. Higher loss in current quarter was mainly attributable to the loss on disposal of its entire 100% equity interest in Kejuruteraan Putrajaya Sdn Bhd amounting to RM0.50 million.

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**16. PERFORMANCE REVIEW**

	Current Quarter Ended 31.12.2008 RM'000	Preceding Quarter Ended 30.09.2008 RM'000	Variance	Prior Year Corresponding Quarter Ended 31.12.2007 RM'000	Variance
			RM'000		RM'000
Revenue	17,988	18,606	(618)	27,812	(9,824)
(Loss)/Profit before taxation	(2,208)	(1,874)	(334)	39	(2,247)
Loss attributable to equity holders of the parent	(1,112)	(1,073)	(39)	(4)	(1,108)

**16.1 Revenue**

The Group's revenue for the current quarter under review has decreased by approximately RM0.62 million or 3.3% compared to the immediate preceding quarter. This drop in revenue was attributable to lower non-concessionaire revenue from private sectors in Integrated Facility Management (IFM) division.

Compared to the corresponding quarter last year, revenue decreased by RM9.82 million (35%) due to the decrease in revenue in IFM division and delays in a few projects in Mechanical & Electrical Engineering (M&E) division.

**16.2 (Loss)/Profit Before Taxation**

The Group suffered a loss before tax for the current quarter of RM2.21 million compared to a profit position of RM39,000 in the corresponding quarter last year. Higher loss during the quarter was due to the decline in business of the M&E division and loss on disposal of its entire 100% equity interest in Kejuruteraan Putrajaya Sdn Bhd amounting to RM0.50 million.

**17. COMMENTARY ON PROSPECTS**

While the performance of the IFM division improved significantly in the current quarter compared to the preceding quarter, the M & E division continues to be hit by delays in projects in Malaysia and Singapore due to funding difficulties as a result of a slowdown in economic activities. However, the Group is confident that its recent venture into the growing Abu Dhabi market is expected prevent further deterioration of the M & E division's performance for the remaining half of the financial year.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable.

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**19. TAXATION**

	<b>Current quarter ended 31.12.2008 RM'000</b>	<b>Year to date ended 31.12.2008 RM'000</b>
Tax expense for the period	169	220
Deferred taxation	-	-
	169	220

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**

	<b>At 31.12.2008 RM'000</b>	<b>At 30.06.2008 RM'000</b>
Secured Short-term Borrowings:		
Bank overdrafts	1,703	1,329
Revolving credit	4,950	950
Banker acceptance	636	-
Term loan (due within 12 months)	1,259	945
Hire purchase payables (due within 12 months)	396	357
Total Short-term Borrowings	8,944	3,581
Secured Long-term Borrowings:		
Term loan (due after 12 months)	4,932	5,781
Hire purchase payables (due after 12 months)	816	859
Total Borrowings	14,692	10,221

All of the above borrowings are denominated in Ringgit Malaysia except for RM18,320 (2008: RM25,690) 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.

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**23. COMMITMENTS**

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

	<b>At 31.12.2008 RM'000</b>	<b>At 30.6.2008 RM'000</b>
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than 1 year	421	898
Later than 1 year and not later than 2 years	209	170
Later than 2 years and not later than 5 years	6	6
	636	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:

	<b>Current quarter ended 31.12.2008</b>	<b>Year to date ended 31.12.2008</b>
Loss attributable to equity holders of the parent (RM'000)	(1,112)	(2,185)
Weighted average number of ordinary shares in issue ('000)	226,842	226,842
Basic earnings per share (sen)	(0.49)	(0.96)

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. COMPARATIVE FIGURES**

The following comparative figures have been reclassified to conform with the presentation of the current quarter:

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	<b>Preceding Year</b>		<b>Preceding Year</b>	
	<b>Corresponding Quarter</b>		<b>Corresponding Period</b>	
	<b>As</b>	<b>As</b>	<b>As</b>	<b>As</b>
	<b>Restated</b>	<b>Previously Reported</b>	<b>Restated</b>	<b>Previously Reported</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cost of sales	21,900	22,284	39,409	40,177
Other operating expenses	6,025	5,641	11,429	10,661

**27. AUTHORISATION FOR ISSUE**

This interim financial report has been approved by the Board of Directors of the Company for issuance on 19 February 2009.