

THE AYER MOLEK RUBBER COMPANY BERHAD (1292-P)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
BURSA SECURITIES LISTING REQUIREMENTS

A. Review of Performance

The Company and its subsidiaries did not carry on any business operations during the period under review as the plantation lands had been disposed off by the former directors. This position would continue until the Group is able to acquire revenue generating assets. The present directors are actively pursuing this objective.

As reported in the last quarter, the transferee of the Company's lands held under Grant 20098 for Lot 299 and Grant 1087 for Lot 300 all in the Mukim of Ayer Panas, District of Jasin, State of Malacca had offered to rescind the transfer in return for a sum of RM600,000 which was paid as consideration for the transfer of the said lands. This was accepted by the Company.

A Consent Order for retransfer of the lands to the Company's name was entered at the Melaka High Court on 9 June 2010. The land titles are now in the process of being retransferred into the Company's name.

The said lands have been valued at RM 3,000,000 by C H Williams Talhar & Wong Sdn Bhd as per their valuation report dated 13 November 2009.

B. Prospects for the current Financial Year

The prospect for the current financial year would remain unchanged until the Group is able to acquire revenue generating assets.

C. Profit forecast

Not applicable as no profit forecast has been published for the period.

D. Taxation

There was no provision for taxation or adjustment of deferred taxation as the Group was dormant during the period under review.

E. Unquoted Securities

The Group did not purchase or dispose off any unquoted securities during the period.

F. Quoted Securities

The Group did not purchase or dispose off any quoted securities during the period.

G. Material Litigations

1. As reported in previous Annual Reports, certain landed properties of the Company had been unlawfully disposed and transferred. The Company has since commenced legal actions in the High Court of Malaysia seeking to set aside the disposal and transfer of the said properties. The relevant legal actions are set out below:
 - a. High Court in Melaka Civil Suit No: 22-48-2009 The Ayer Molek Rubber Company Berhad vs Bintang-Bintang Sdn Bhd & 6 others in respect of “Jasin Lands”;
 - b. High Court in Johor Bahru Civil Suit No: 22-217-2009 The Ayer Molek Rubber Company Berhad vs Bintang-Bintang Sdn Bhd & 6 others in respect of “Segamat Land”;
 - c. High Court in Johor Bahru Civil No: 22-216-2009 The Ayer Molek Rubber Company Berhad vs Ropie Subari and 4 others in respect of “Jementah Land”; and
 - d. High Court in Melaka Civil Suit No: 22-90-2009 The Ayer Molek Rubber Company Berhad vs Magma Tenggara Sdn Bhd & 5 others in respect of “Ayer Panas Land”. This Civil Suit has been amicably settled by way of a consent judgment as stated in Note A above.
2. Civil Suit No: S 22-441-2010 The Ayer Molek Rubber Company Berhad vs Abdul Halim Yahya & Co. filed in the High Court in Kuala Lumpur for the return of the Company’s monies handled by the Defendant as stakeholder.
3. As announced on 1 July 2010, a notice pursuant to Section 218(1) e and 2(a) has been served on the Company on 30 June 2010 by the solicitors acting on behalf of Pengurusan Danaharta Nasional Berhad (“Danaharta”) demanding the payment of RM 6,886,241.42 with interest thereon. The demand is in respect of the judgment in default entered against the Company on 18 January 2010 under the Kuala Lumpur High Court Suit No. D2-22-1165-2009.

The Writ of Summon in respect of the above suit was served at the Company’s old business address and the Directors were not aware of the suit and therefore did not enter defense. The Company has now engaged the services of a legal counsel and has taken the following actions:

- a. On 19 July 2010 filed an application to the High Court to set aside the judgment in default entered against the Company. The application has been fixed for case management on 8 September 2010; and
- b. On 21 July 2010 filed an application for and obtained an ex parte interim injunction restraining Danaharta from filing a winding petition against the Company in respect of the judgment in default. The inter partes hearing of the application for injunction which was earlier scheduled on 11 August 2010 has been adjourned to 14 September 2010.

The Board has considered the circumstances surrounding Danaharta's claim and, taking into account our lawyers' views of the same, the Board is of the view that the Company has strong grounds to resist the claim. Accordingly the Board has not made any provision in regards to the claim.

H. Regularization Plan

As stated in the previous quarterly report, the Company has been placed under PN 17 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"). During the period under review, Bursa has granted the Company a further extension of time up to 18 November 2010 to submit a Regularization Plan to the Securities Commission or other relevant authorities.

The directors are conscious of the extended timeframe and, with the assistance of the advisers, have been actively looking for feasible regularization proposals.