

NAM FATT CORPORATION BERHAD
(Company No. 44548-H)
(Incorporated In Malaysia)

Unaudited Interim Financial Report
Second Quarter – 30 June 2010

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NAM FATT CORPORATION BERHAD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarters	
	Current year quarter	Preceding year corresponding quarter	Current year-to- date	Preceding year corresponding period
	30.06.10 RM'000	30.06.09 RM'000	30.06.10 RM'000	30.06.09 RM'000
Revenue	25,662	38,880	83,760	90,310
Other operating income	3,738	1,468	8,932	3,487
Expenses excluding finance cost and tax	(37,715)	(53,984)	(94,932)	(117,045)
(Loss) / Profit from operations	(8,315)	(13,636)	(2,240)	(23,248)
Finance costs	(6,819)	(6,498)	(21,717)	(9,873)
Income from other investments	299	596	575	1,395
(Loss) / Profit before tax	(14,835)	(19,538)	(23,382)	(31,726)
Income tax (expense) / credit	(291)	1,263	(520)	1,899
(Loss) / Profit for the period	(15,126)	(18,275)	(23,902)	(29,827)
Attributable to:				
Equity holders of the parent	(15,176)	(17,581)	(24,262)	(29,123)
Minority interest	50	(694)	360	(704)
(Loss) / Profit for the period	(15,126)	(18,275)	(23,902)	(29,827)
(Loss) / Earnings per share:				
Basic (loss) / earnings per share (sen)	(4.00)	(4.60)	(6.39)	(7.62)

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2009.

NAM FATT CORPORATION BERHAD
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2010

	Unaudited As at end of current quarter	Audited As at preceding financial year end
	30.06.10 RM'000	31.12.009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	97,863	102,554
Prepaid land lease payments	48,041	52,429
Land held for development	182,986	190,236
Other investments	93	93
Deferred tax assets	917	812
	329,900	346,124
Current assets		
Inventories	13,676	20,328
Amount due from contract customers	274,992	309,744
Property development expenditure	160,126	169,537
Trade receivables	47,139	100,497
Accrued billings	8,909	14,972
Other receivables, deposits and prepayments	14,621	17,640
Tax recoverable	9,690	11,363
Deposits with financial institutions	85,038	83,888
Cash and bank balances	16,840	12,352
	631,031	740,321
Total assets	960,931	1,086,445
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent:		
Share capital	319,593	319,589
Share premium	329,213	329,213
Irredeemable convertible unsecured loan stocks	52,102	52,106
Other reserves	(4,175)	(4,151)
Accumulated loss	(676,498)	(651,818)
	20,235	44,939
Minority interest	(3,144)	(2,326)
Total equity	17,091	42,613
Non-current liabilities		
Long term borrowings	-	184,422
Lease and hire-purchase creditors	1,050	1,400
Deferred tax liabilities	86	553
	1,136	186,375
Current liabilities		
Amount due to contract customers	3,784	26,532
Trade payables	256,039	318,722
Progress billings	5,451	2,057
Other payables, accrued expenses and provisions	90,065	149,160
Lease and hire-purchase creditors	812	1,234
Amount due to associated companies	737	970
Short term borrowings	544,007	335,791
Bank overdrafts	36,194	17,701
Tax liabilities	5,615	5,290
	942,704	857,457
Total liabilities	943,840	1,043,832
Total equity and liabilities	960,931	1,086,445
Net assets per share (RM)	0.06	0.14
Diluted net assets per share (RM)	0.05	0.12

The diluted net assets per share is calculated based on the enlarged share capital assuming full conversion of ICULS-A and ICULS-B at the most favourable terms to the ICULS holders.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2009.

NAM FATT CORPORATION BERHAD
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2010
 (UNAUDITED)

Six months ended 30 June 2010

In RM'000	Attributable to equity holders of the parent					Minority Interest	Total Equity		
	Issued capital	Irredeemable convertible unsecured loan stocks	Share premium	Currency fluctuation	Other reserve			Accumulated Loss	Total
Balance as at 01.01.2010	319,589	52,106	329,213	(4,151)	-	(651,818)	44,939	(2,326)	42,613
Conversion of ICULS-A into ordinary shares	4	(4)	-	-	-	-	-	-	-
Conversion of ICULS-B into ordinary shares	-	-	-	-	-	-	-	-	-
Exchange realignment	-	-	(24)	-	-	(24,262)	(24,262)	(1,178)	(1,202)
Net loss for the year	-	-	-	-	-	(418)	(418)	360	(23,902)
ICULS-A interest charged against reserves	-	-	-	-	-	-	-	-	(418)
Proposed dividends	-	-	-	-	-	-	-	-	-
Balance as at 30.06.10	319,593	52,102	329,213	(4,175)	-	(676,498)	20,235	(3,144)	17,091

Twelve months ended 31 December 2009

In RM'000	Attributable to equity holders of the parent					Minority Interest	Total Equity		
	Issued capital	Irredeemable convertible unsecured loan stocks	Share premium	Currency fluctuation	Other reserve			Accumulated Loss	Total
Balance as at 01.01.2009	316,187	55,508	329,213	(502)	-	(109,262)	591,144	16,293	607,437
Conversion of ICULS-A into ordinary shares	3,402	(3,402)	-	-	-	-	-	-	-
Conversion of ICULS-B into ordinary shares	-	-	-	-	-	-	-	-	-
Exchange realignment	-	-	-	(3,649)	-	(541,681)	(3,649)	(182)	(3,831)
Net profit for the year	-	-	-	-	-	(875)	(875)	(18,437)	(560,118)
ICULS-A interest charged against reserves	-	-	-	-	-	-	-	-	(875)
Proposed dividends	-	-	-	-	-	-	-	-	-
Balance as at 31.12.2009	319,589	52,106	329,213	(4,151)	-	(651,818)	44,939	(2,326)	42,613

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009.

NAM FATT CORPORATION BERHAD
CONDENSED CONSOLIDATED CASHFLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2010
(UNAUDITED)

	Current year-to-date 30.06.10 RM'000	Preceding year corresponding period 30.06.09 RM'000
Cash Flows Used In Operating Activities		
Loss for the period	(23,902)	(29,827)
Adjustments for:		
Income tax (credit)/expense recognised in income statements	520	(1,899)
Allowance for doubtful debts	56	
Depreciation of property, plant and equipment	2,737	2,501
Amortisation of prepaid land lease payments	(267)	340
Gain on disposal of property, plant and equipment - net	(1,130)	(130)
Property, plant and equipment written off	880	
Interest expense	(21,717)	9,873
Investment revenue	(575)	(1,395)
Provision for liquidation ascertained damages no longer required	-	(32)
Operating Profit Before Working Capital Changes	(43,398)	(20,358)
(Increase)/Decrease in:		
Inventories	6,652	5,300
Amount due from contract customers	8,449	(21,245)
Property development expenditure	16,661	843
Receivables	6,322	13,087
Accrued billings	6,064	(11,709)
Increase/(Decrease) in:		
Amount due to contract customers	(11,444)	(2,617)
Payables	(56,779)	12,940
Progress billings	3,393	12,447
Amount due to associated companies	(232)	(37)
Cash (Used In)/Generated From Operations	(64,312)	(11,349)
Interest received	575	1,395
Tax refunds/(payments)	904	1,002
Net Cash (Used In)/Generated From Operating Activities	(62,833)	(8,952)
Cash Flows (Used In)/From Investing Activities		
Additions to property, plant and equipment	353	(1,340)
Proceeds from disposals of property, plant and equipment and leasehold land	6,732	318
Net Cash Generated From/(Used In) Investing Activities	7,085	(1,022)
Cash Flows From/(Used In) Financing Activities		
Withdrawal/(Placement) from deposit in financial institution	(5,548)	657
Withdrawal in Sinking Fund Accounts	(5,880)	219
Withdrawal/(Placement) in Sinking Fund Trust Accounts	(373)	447
Account maintained under Housing Development Act 1966	(674)	28
Interest paid		(9,873)
Interest paid on ICULS-A	418	(450)
Repayments of hire-purchase creditors	(1,016)	(1,058)
Drawdown/(Repayment) of bank borrowings	43,953	9,853
Net Cash From/(Used In) Financing Activities	30,880	(177)
Net Decrease In Cash And Cash Equivalents	(24,868)	(10,151)
Cash And Cash Equivalents At Beginning Of The Period	7,125	29,974
Exchange realignment	(462)	(8,511)
Cash And Cash Equivalents At End Of The Period	(18,205)	11,312
Deposit with financial institution	85,038	91,328
Cash and bank balances	16,840	11,810
Bank overdrafts	(36,194)	(16,111)
	65,684	87,027
Less : Deposits pledged with financial institutions	(71,837)	(71,617)
Deposits in Sinking Fund Accounts	(5,901)	(21)
Deposits in Sinking Fund Trust Accounts	(1,195)	(1,314)
Cash maintained under Housing Development Act, 1966	(4,955)	(2,763)
	(18,205)	11,312

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2009.

NAM FATT CORPORATION BERHAD
(Company No. 44548-H)

Notes To The Interim Financial Report – Second Quarter Ended 30 June 2010

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 December 2009. The accounting policies, methods of computation and basis of consolidation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2009.

2. Accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2009.

As mentioned in Note 3, on March 15, 2010 the Company announced that it has become an affected listed issuer pursuant to the amended Practice Note 17/2005 (PN 17) of the Listing Requirements of Bursa Malaysia Securities Berhad upon the Company’s default on its loan instalment payments to a financial institution. Consequently, the Company and the Group are required to undertake a plan to regularise their financial position and to submit the regularisation plan to relevant authorities for approval within 12 months from March 15, 2010.

As an Affected Listed Issuer, the Company is required pursuant to paragraph 3.1(a)(ii) of the Amended PN17 to comply with the following obligations:

- (a) to announce details of the Regularisation Plan as referred to in paragraph 8.14C(3) of the LR which announcement must fulfil the requirements set out in paragraph 3.1A of the Amended PN 17/2005;
- (b) to submit the Regularisation Plan to the Securities Commission, and other relevant authorities (“Approving Authority”), for approval within twelve months from the date of the First Announcement; and to implement the Regularisation Plan within the timeframe stipulated by the relevant Approving Authority;
- (c) to announce the status of its plan to regularise its condition and the number of months to the end of the relevant timeframes referred thereto, as may be applicable on a monthly basis until further notice from Bursa Securities; and
- (d) to announce its compliance or non-compliance with a particular obligation imposed pursuant to Amended PN17/2005 on an immediate basis.

In the event that the Company fails to comply with the obligation to regularise its condition, all of its listed securities shall be suspended from trading immediately upon notification by Bursa Securities and de-listing procedures shall be taken against the Company by Bursa Securities.

The abovementioned events indicate the existence of material uncertainties which cast significant doubt about the ability of the Company and the Group to continue as a going concern. However, the financial statements of the Company and the Group have been prepared on the basis of accounting principles applicable to a going concern which presumes that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. The ability of the Company and the Group to carry on as going concerns is dependent upon their management ability to formulate and implement an appropriate regularisation plan and on the ability of the Group and of the Company to obtain continuing financial support of shareholders, bankers and creditors and achieving future profitable results and generating positive cash flows. Should the going concern assumption be negated, adjustments would have to be made to reduce the carrying values of assets to their recoverable amounts, to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3. Auditors' report on preceding annual financial statements

The auditors' report on the Group's annual financial statements for the financial year ended 31 December 2009 was subject to qualification on disclaimer of opinion.

On 15 March 2010, the Company announced it has become an affected company pursuant to Practice Notes 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

On 18 March 2010, the Company and certain of its subsidiaries ('Scheme Companies') had obtained an Ad Interim Restraining Order for duration of three months restraining legal actions and proceedings against the Scheme Companies.

The Company and the Group are required undertake a regularization plan within twelve months from 15 March 2010.

4. Seasonal or cyclical factors

The business operations of the Group are not affected by any seasonal and cyclical factors.

5. Nature and amount of unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review.

6. Material changes in estimates of amounts reported

There are no material changes in the reported financial results for the quarter under review.

7. Changes in debts and equity securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

8. Dividends

No dividend has been proposed for the current financial period-to-date.

9. Segmental reporting for business segments and geographical segments

The Group's financial information by industry and geographical segments as at 30 June 2010 are as follows:

Analysis by industry :

	Engineering and Construction	Property	Leisure	Manufacturing	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External Sales	24,402	34,626	7,951	16,781	-	83,760
Inter-Segment Sales	-	-	-	-	-	-
Total Revenue	24,402	34,626	7,951	16,781	-	83,760
	29%	41%	9%	20%		
Result						
Segment result	(197)	4,172	303	(160)	-	4,118
Corporate office expenses						(6,358)
Profit from operations						(2,240)
Interest income						575
Interest expense						(21,717)
Share of net result of associated companies		-	-	-	-	-
Share of net result of joint venture		-	-	-	-	-
Profit before tax						(23,382)
Income tax						(520)
Profit after tax before MI						(23,902)
Consolidated Balance Sheet Assets						
	0%					
Segment assets	384,124	420,254	115,871	27,790		948,040
Unallocated assets	1,318	805	-	1,083		10,368
	40%	44%	12%	3%		
Corporate office assets						2,523
Consolidated total assets						960,931
Liabilities						
Segment liabilities	379,368	220,632	128,170	48,691		776,861
Unallocated liabilities	2,726	201	2,865	(90)		5,701
Unallocated corporate liabilities						161,279
Consolidated total liabilities						943,840
Capital Addition	362	-	70	29		460
Depreciation and Amortisation	1,340	2,306	297	170		4,112

	Malaysia	Sudan	China	Thailand	Other Asean countries	Eliminations	Consolidated total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales Revenue	83,760	-	-	-	-	-	83,760
	83,760	-	-	-	-	-	83,760
Carrying amount of segment asset	437,848	409,111	-	7,576	106,396	-	960,932
Capital additions	460	-	-	-	-	-	460

10. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual audited financial statements.

11. Material events subsequent to the end of the current quarter

There were no material events that have arisen subsequent to the end of the current quarter, which have not been reflected in the interim financial statements of the Group except as disclosed under Note 17 (i).

12. Changes in the composition of the Group

There were no other changes in the composition of the Group during the current quarter under review.

13. Changes in contingent liabilities

The changes in contingent liabilities of the Company and the Group since the date of the last annual balance sheet to the date of this report (other than material litigation disclosed in Note 20) are as follows:

	As at 1.1.10 <i>RM'000</i>	Changes during the period <i>RM'000</i>	As at 30.06.10 <i>RM'000</i>
<u>Company (Unsecured)</u>			
Guarantees given to financial institutions and finance companies in respect of credit facilities granted to subsidiary companies	346,935	(19,748)	327,187
Guarantees given to third parties in respect of joint ventures	145,383	-	145,383
	<u>492,318</u>	<u>(19,748)</u>	<u>472,570</u>
<u>Group (Unsecured)</u>			
Guarantees given to third parties in respect of joint ventures	53,401	-	53,401

14. Breakdown of tax charge and explanation on variance between effective and statutory tax rate for the current quarter and financial period-to-date

Income tax expense comprises the following:

	Individual Quarter		Cumulative Quarters	
	Current year	Preceding year	Current period-	Preceding year
	quarter	corresponding	to-date	corresponding
	30/06/10	quarter	30/06/10	period-to-date
	RM'000	30/06/09	RM'000	30/06/09
		RM'000		RM'000
Malaysian income tax - current year	291	333	520	684
Foreign income tax - current year	-	310	-	692
	291	643	520	1,376
Malaysian income tax under provision in previous years	-	111	-	1,141
Foreign income tax under provision in previous years	-	3	-	769
Deferred taxation	-	(2,020)	-	(5,185)
Deferred taxation over provision in previous years	-	-	-	-
	291	(1,263)	520	(1,899)

The tax charge in the current quarter is from the profit generated in certain subsidiaries of the Group.

15. Profits / (Losses) on sale of unquoted investments or properties

There were no disposals of unquoted investments or properties for the financial period ended 30 June 2010.

16. Quoted investments

There were no purchase or sale of quoted investments for the financial period ended 30 June 2010.

17. Status of corporate proposals

- (i) Proposed Scheme of Compromise pursuant to Section 176 of the Companies Act, 1965

On 18 March 2010, the Company and certain of its subsidiaries ('Scheme Companies') had obtained an *Ad Interim* Restraining Order ("*Ad Interim* RO") for duration of three months restraining legal actions and proceedings against the Scheme Companies in order for the Scheme Companies to formulate a scheme of compromise with its creditors.

At the hearing on 2 June 2010, The *Ad Interim* RO was extended pending the hearing of the Originating Summons on 9 July 2010, which was further extended to 16 July 2010, 2 August 2010, 10 August 2010, 17 August 2010 and 1 September 2010 as announced earlier.

(ii) PN17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

On 15 March 2010, the Company announced it has become an affected company pursuant to PN17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company was admitted into PN17 by Bursa Malaysia Securities Berhad on 16 March 2010.

The Company and the Group are required undertake a regularization plan within twelve months from 15 March 2010.

18. Group borrowings

Particulars of the Group's borrowings as at 30 June 2010 are as follows:

	Total borrowings as at 30/06/10
	RM'000
<u>Short term borrowings</u>	
Term loan - secured	246,437
Term loan - unsecured **	90,426
Project bridging loan - secured	76,385
Islamic commercial papers - secured	130,759
Bank overdrafts - unsecured	36,194
Hire purchase and lease creditors - secured	814
Total short term borrowings	<u>581,015</u>
<u>Long term borrowings</u>	
Hire purchase and lease creditors - secured	1,050
Total long term borrowings	<u>1,050</u>
Total borrowings	<u>582,065</u>

All borrowings are denominated in Ringgit Malaysia except for the ** is denominated in USD.

19. Off balance sheet financial instruments

There were no off balance sheet financial instruments at a date not earlier than 7 days from the date of issue of this report.

20. Changes in material litigation

Save for the following, neither the Company nor its subsidiaries are engaged in any material litigation, either as plaintiff or defendant, and the Directors of the Company do not have any knowledge of any proceedings, pending or threatened against the Group or of any facts likely to give rise to any proceedings which might adversely and materially affect

the position or business of the Group, at a date not earlier than 7 days from the date of issue of this report.

- (i) P&N Construction Sdn Bhd ("P&N"), a subsidiary of the Company, commenced a civil suit against Bukit Cahaya Country Resorts (In Liquidation) ("BCCR") on 28 November 2003 for RM29,672,447.06 together with interest at the rate of 8% to 14.3% per annum from 1 November 2003 until realisation which is due and outstanding under the Construction Contract which was entered into between P&N and BCCR for construction of an 18-hole golf course. P&N also claims the following relief:-
- (a) RM20,946,250.33 being accrued interest as at 31 October 2003 ("Accrued Interest"); and
 - (b) Damages in lieu of and/or addition to specific performance of the agreement to create a fixed charge over a specific piece of land.

The claim in the above suit is also being addressed in BCCR's liquidation through P&N's proof of debt which was lodged on 11 March 2004.

The above suit has been stayed and P&N has not made an application for leave to continue the suit as of yet. On 8 December 2005, the liquidators of BCCR accepted in full P&N's proof of debt of RM50,700,548.51. Notwithstanding this, full allowance for doubtful debt of RM29,672,447.06 has been made and interest income of RM20,946,250.33 has been prudently not recognised in its financial statements.

Update

By a Notice to Creditors and Contributories of Intention to Apply For Release dated 21.1.2010, the liquidators of BCCR had given notice of its intention for release and discharge pursuant to the Companies Act, 1965. In the accompanying statement showing the position of BCCR at the date of the application for release, the prospect of recovering the said debt of RM50,700,548.51 is doubtful.

There has been no development since the preceding quarter.

- (ii) In August 2006 and March 2007, Nam Fatt Corporation Berhad ("Nam Fatt or the "Company") filed two (2) legal suits against Malaysian International Trading Corporation (Japan) Sdn. Bhd. ("Mitco"), to declare that the Corporate Guarantee dated 24.12.2004 issued by Nam Fatt in favour of Mitco is (a) void on grounds of illegality for contravening the Moneylenders Act, 1951; (b) inoperative and/or is not binding on Nam Fatt on the ground of differences between the Head Agreement and the purported Supply Agreements; and (c) Nam Fatt has been discharged as guarantor on the ground that the terms of the purported Supply Agreements have been varied or altered without its consent. There are two appeals pending at the Court of Appeal, filed by Mitco against (1) the High Court's refusal to strike out the Suit and in allowing Nam Fatt's application to expunge, and (2) High Court's refusal to allow consolidation. The appeals are fixed for case management on 06 October 2010. In the latter suit, Mitco's application for consolidation with its Suit served in May 2007 (see below) was dismissed on 26.10.2009 and it is now pending hearing of Nam Fatt's application under Order 33 Rules of High Court 1980.

In July 2007, NF Energy Sdn Bhd ("NF Energy") via a joint venture known as Bentini-NF Energy JV ("JV") also filed two (2) legal suits against Mitco. In one suit, the JV is claiming for damages of RM211,709,881.80 arising from Mitco's breach, repudiation and/or renunciation of the logistics contract. This suit is now fixed for case management on 16.08.2010. On 20.11.2009 the Registrar during case management directed that the Bundle of Pleadings, the Statement of Agreed Facts and the Statement of Issues to be Tried in connection with liability issues only be prepared and filed by 5 March 2010. There is an appeal by the JV against the High Court's refusal to allow striking out of certain paragraphs in the Amended Statement of Defence which is pending. In the other suit, the JV is seeking a declaration that the purported Supply Agreements were null and void and illegal for contravention of Moneylenders Act 1951. This suit is now consolidated with Mitco's Suit served in May 2007 (see below) but the JV has filed an appeal to the Court of Appeal against the consolidation order.

Subsequently, in July 2007, Mitco filed and served a suit against the JV and NFCB claiming for Euro 38,734,400.20 (equivalent to RM193,223,622.80) and interest thereon as alleged amount for procurement financing. There are two appeals pending under this Suit filed by NFCB and NF Energy on the High Court's refusal to grant stay or later trial applied by them, and also against High Court's refusal to strike out pleaded evidence. The matter is fixed for case management on 08 September 2010.

Nam Fatt and NF Energy are advised by its solicitors that from the information provided by Nam Fatt and NF Energy and the cause papers filed in Court, Nam Fatt and the JV have strong defences against Mitco's claim and that the JV has a strong case against Mitco for repudiation or breach of the logistics contract.

The Board of Directors is of the opinion that there is no significant impact financially and operationally to the Company and the Group as the amount claimed by Mitco has already been provided for in the accounts of NF Energy.

The legal proceedings are not expected to have any material effect on the earnings of the Group for the financial year ending 30 June 2010.

21. Capital commitments

There were no capital commitments for the Group as at 30 June 2010.

22. Material changes in the quarterly results compared to the immediate preceding quarter

The Group posted a revenue of RM25.7 million and loss before taxation of RM14.8 million as compared to the revenue of RM58.1 million and loss before taxation of RM8.5 million in the immediate preceding financial quarter. Revenue is decline by RM32.4 million as compared to the immediate preceding financial quarter mainly due to the lower revenue contributed from property and construction divisions.

23. Review of performance of the Group

For the 6 months ended 30 June 2010, the Group posted revenue and loss before tax of RM83.8 million and RM23.4 million as compared to RM90.3 million and RM31.7 million respectively in the preceding corresponding period.

For the current quarter ended 30 June 2010, the Group's revenue decreased to RM25.7 million from RM38.9 million as reported in the quarter ended 30 June 2009 while the loss before tax in the current quarter is reduced by RM4.7 million from RM19.5 million to RM14.8 million as compared to the preceding year corresponding quarter.

The revenue is declined as the results of the lower contribution from the construction division as compared to the preceding year corresponding period and the decrease in loss before taxation was due to the reduction in operational costs in the same construction division.

24. Commentary on the prospects for the current financial period

For the current quarter in review, the directors and the senior management of the Group are committed to and focus on the Scheme of Compromise pursuant to Section 176 of the Companies and the regularization plan.

25. Explanatory note for forecast profit and profit guarantee

The Group did not issue any profit forecast or profit guarantee for the current quarter in review.

26. Earnings per share

	RM000
Net profit attributable to equity holders of the parent	<u>(24,262)</u>
	Unit'000
Number of ordinary shares issued as of end of the period	327,449
Number of ordinary shares which will be issued:	
- Upon conversion of ICULS-A	42,038
- Upon conversion of ICULS-B	<u>10,065</u>
Total number of ordinary shares for basic earnings per share	<u>379,552</u>
Basic Earnings Per Share (sen)	(6.39)