

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

Unaudited Interim Financial Report
For the Year Ended 31 December 2010

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(Company No. 44548-H)

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NAM FATT CORPORATION BERHAD
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

	Individual Quarter		Cumulative Quarters	
	Current year quarter	Preceding year corresponding quarter	Current year-to- date	Preceding year corresponding period
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Revenue	15,568	45,369	117,475	147,276
Other operating income	3,338	(3,794)	16,863	9,731
Expenses excluding finance cost and tax	(43,635)	(186,828)	(164,281)	(307,473)
(Loss) / Profit from operations	(24,730)	(145,253)	(29,943)	(150,467)
Finance costs	(8,056)	(1,247)	(33,863)	(27,053)
Income from other investments	177	834	1,391	2,048
Gain on disposal / liquidation of subsidiary companies	143,829	-	143,829	-
Loss on dilution of subsidiary companies	(5,210)	-	(5,210)	-
Write down / Allowance for loss on PPE / land held for development	(64,695)	(1,614)	(64,695)	(1,614)
Allowance for foreseeable loss / claims on contract projects	(155,086)	(379,477)	(155,086)	(379,477)
Share of loss of associated companies		(492)		(492)
(Loss) / Profit before tax	(113,771)	(527,249)	(143,576)	(557,055)
Income tax (expense) / credit	(2,149)	(2,571)	(2,642)	(3,063)
(Loss) / Profit for the period	(115,920)	(529,820)	(146,218)	(560,118)
Attributable to:				
Equity holders of the parent	(133,571)	(511,017)	(145,432)	(541,681)
Minority interest	17,651	(18,803)	(786)	(18,437)
(Loss) / Earnings per share:				
Basic (loss) / earnings per share (sen)	(35.94)	(138.38)	(39.13)	(146.68)

NAM FATT CORPORATION BERHAD
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 DECEMBER 2010

	Unaudited As at end of current quarter	Audited As at preceding financial year end
	31.12.10 RM'000	31.12.009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	-	154,983
Land held for development	-	190,236
Other investments	344	93
Deferred tax assets	525	812
	869	346,124
Current assets		
Inventories	12,169	20,328
Amount due from contract customers	333,041	309,744
Property development expenditure	141,954	169,537
Trade receivables	33,266	100,497
Accrued billings	-	14,972
Other receivables, deposits and prepayments	169,223	17,640
Tax recoverable	8,462	11,363
Deposits with financial institutions	22,380	83,888
Cash and bank balances	16,325	12,352
Assets held for sale	250,067	-
	986,886	740,321
Total assets	987,755	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	52,103	52,106
Other reserves	18,526	(4,151)
Accumulated loss	(799,664)	(651,818)
	(80,229)	44,939
Minority interest	(2,634)	(2,326)
Total equity	(82,862)	42,613
Non-current liabilities		
Long term borrowings	-	184,422
Lease and hire-purchase creditors	12	1,400
Deferred tax liabilities	71	553
	83	186,375
Current liabilities		
Amount due to contract customers	35,306	26,532
Trade payables	215,348	318,722
Progress billings	9,999	2,057
Other payables, accrued expenses and provisions	152,073	149,160
Lease and hire-purchase creditors	362	1,234
Amount due to associated companies	737	970
Short term borrowings	633,534	335,791
Bank overdrafts	17,887	17,701
Tax liabilities	5,288	5,290
	1,070,534	857,457
Total liabilities	1,070,617	1,043,832
Total equity and liabilities	987,755	1,086,445
Net assets per share (RM)	(0.25)	0.14
Diluted net assets per share (RM)	(0.22)	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 FOURTH QUARTER ENDED 31 DECEMBER 2010
(UNAUDITED)

12 months ended 31 December 2010

In RM'000	Attributable to equity holders of the parent						Minority Interest	Total Equity
	Issued capital	Irredeemable convertible unsecured loan stocks	Non-distributable	Share premium	Currency fluctuation	Other reserve		
Balance as at 01.01.2010	319,589	52,106	329,213	(4,151)	-	(651,819)	44,938	42,612
Conversion of ICULS-A into ordinary shares	4	(4)					(0)	(0)
Exchange realignment				22,677		(147,004)	22,677	21,584
Net loss for the year						(841)	(147,004)	(146,218)
ICULS-A interest charged against reserves							(841)	(841)
Proposed dividends								
Balance as at 31.12.10	319,593	52,102	329,213	18,526	-	(799,664)	(80,229)	(82,862)

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	Non-distributable	Share premium	Currency fluctuation	Other reserve		
Balance as at 01.01.2009	316,187	55,508	329,213	(503)	-	(109,261)	591,144	607,438
Conversion of ICULS-A into ordinary shares	3,402	(3,402)						
Exchange realignment				(3,648)		(541,683)	(3,648)	(3,831)
Net profit for the year						(875)	(541,683)	(560,120)
ICULS-A interest charged against reserves							(875)	(875)
Proposed dividends								
Balance as at 31.12.2009	319,589	52,106	329,213	(4,151)	-	(651,819)	44,938	42,612

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 FOURTH QUARTER ENDED 31 DECEMBER 2010
(UNAUDITED)

	Current year-to-date 31.12.10 RM'000	Preceding year corresponding period 31.12.09 RM'000
Cash Flows Used In Operating Activities		
Loss for the period	(146,218)	(560,118)
Adjustments for:		
Income tax (credit)/expense recognised in income statements	2,642	3,063
Allowance for doubtful debts	6,711	79,609
Depreciation of property, plant and equipment	5,061	5,217
Amortisation of prepaid land lease payments	2,047	680
Gain on disposal of property, plant and equipment - net	(1,796)	(747)
Property, plant and equipment written off	1,614	1,614
Interest expense	33,863	27,053
Investment revenue	(1,391)	(2,048)
Share of loss of associated companies		492
Gain on liquidation of subsidiary company	(138,619)	
Provision for foreseeable loss on contracts	62,161	379,477
Provision for liquidation ascertained damages no longer required		(2,386)
Operating Profit Before Working Capital Changes	(173,925)	(68,067)
(Increase)/Decrease in:		
Inventories	8,159	7,259
Amount due from contract customers	(82,355)	14,793
Property development expenditure	193,619	38,831
Receivables	(115,614)	32,888
Accrued billings	9,531	(9,279)
Amount due by associated companies	-	10
Asset held for sale	(112,214)	
Increase/(Decrease) in:		
Amount due to contract customers	8,774	5,527
Payables	221,534	4,531
Progress billings	7,942	(20,123)
Amount due to associated companies	(233)	(40)
Cash (Used In)/Generated From Operations	(34,784)	6,330
Interest received	1,391	2,048
Tax refunds/(payments)	(433)	795
Net Cash (Used In)/Generated From Operating Activities	(33,825)	9,173
Cash Flows (Used In)/From Investing Activities		
Acquisition of other investment	(251)	
Additions to property, plant and equipment	592	(239)
Proceeds from disposals of property, plant and equipment and leasehold land	9,613	2,166
Proceeds from liquidation of a subsidiary company	(133,816)	
Net Cash Generated From/(Used In) Investing Activities	(123,862)	1,927
Cash Flows From/(Used In) Financing Activities		
Withdrawal/(Placement) from deposit in financial institution	45,829	5,985
Withdrawal in Sinking Fund Accounts	(80)	220
Withdrawal/(Placement) in Sinking Fund Trust Accounts	(456)	938
Account maintained under Housing Development Act 1966	8,371	(2,007)
Proceeds from the issue of shares	1,751	
Interest paid		(27,053)
Interest paid on ICULS-A	(841)	(875)
Repayments of hire-purchase creditors	(2,052)	(3,438)
Repayments of bank borrowings		(73,017)
Drawdown/(Repayment) of bank borrowings	79,458	64,775
Net Cash From/(Used In) Financing Activities	131,979	(34,472)
Net Decrease In Cash And Cash Equivalents	(25,707)	(23,372)
Cash And Cash Equivalents At Beginning Of The Period	7,125	29,974
Exchange realignment	21,649	-
Cash And Cash Equivalents At End Of The Period	3,067	6,602
Deposit with financial institution	22,380	83,888
Cash and bank balances	16,325	12,352
Bank overdrafts	(17,887)	(17,709)
	20,818	78,531
Less : Deposits pledged with financial institutions	(20,461)	(66,289)
Deposits in Sinking Fund Accounts	(101)	(20)
Deposits in Sinking Fund Trust Accounts	(1,279)	(822)
Cash maintained under Housing Development Act, 1966	4,090	(4,798)
	3,067	6,602

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Annual Financial Report financial year ended 31 December 2010

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 Main Market Listing Requirement of Bursa Malaysia Securities Berhad. ("Bursa Securities")

The interim financial statements should be read in conjunction with the 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 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, except for the financial year ended 31 December 2010, the Group adopted the following new and revised FRSs and the interpretation, which are applicable to its financial statements:-

FRS	Interpretation
FRS 1	First-time adoption of FRS(Amendments relating to cost of an investment in a subsidiary, joint controlled entities or associates)
FRS 7	Financial Instruments: Disclosures(Amendments relating to reclassification of financial assets and reclassification of financial assets –effective date and transitions)
FRS 8	Operating Segment
FRS 101	Presentation of Financial Statements (revised 2009)
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements(Amendments relating to cost of an investment in a subsidiary, joint controlled entity or associates)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations arising on liquidation and transitional provision relating to compound instruments
FRS 139	Financial Instruments: Recognitions and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets- effective date and transition, embedded derivatives and revised FRS 3 and revised FRS 127

IC Interpretation 10	Interim Financial Reporting and Impairment
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(i) Amendments to FRSs 'Improvements to FRSs (2009)' – FRS 117: Leases

FRS 117 clarifies on the classification of leases of land and buildings. The resulting effect of this FRS taking effect was the reclassification of prepaid leases on land back into property, plant and equipment, rather than being separately classified under prepaid lease payments on the consolidated statement of financial position, as disclosed below:

	As previously Stated RM'000	Restated RM'000
Statement of Financial Position		
Non-current assets		
Property, plant & equipment	102,554	154,983
Prepaid land lease payment	52,429	-
	154,983	154,983

As mentioned in Note 17, 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") 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 twelve (12) months and not later than 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 MMLR 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 (12) 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 disclaim in opinion as expressed in the audited financial statements for the year ended 31 December 2009.

4. Seasonal or cyclical factors

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

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review except as disclosed in the Income Statements.

6. Material changes in Estimates

There are no material changes in estimates for the current quarter under review.

7. 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. Segment Revenue and Results

The Group's financial information by industry and geographical segments as at 31 December 2010 is as follows:

Analysis by industry :

	Engineering and RM'000	Property RM'000	Leisure RM'000	Manufacturing RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External Sales	25,960	44,966	15,013	31,535	-	117,475
Inter-Segment Sales	(358)	358	-	-	-	-
Total Revenue	25,603	45,323	15,013	31,535	-	117,475
	22%	39%	13%	27%		
Result						
Segment result	(129,136)	(58,688)	(8,102)	5,333	-	(190,593)
Corporate office expenses						(57,647)
Profit from operations						(248,239)
Impairment loss on investment in subsidiary companies						-
Interest income						1,391
Interest expense						(32,705)
Share of net result of associated companies		-	-	-	-	-
Share of net result of joint venture		-	-	-	-	-
Gain / Loss on disposal of liquidated companies						143,829
Loss on dilution of subsidiary companies						(5,210)
Profit before tax						(140,935)
Income tax						(2,642)
Profit after tax before MI						(143,576)
Consolidated Balance Sheet Assets						
Segment assets	230,317	222,273	14,768	28,628		495,986
Unallocated assets	1,514	61	16	905		9,658
	46%	44%	3%	6%		
Corporate office assets						537
Consolidated total assets						506,181
Liabilities						
Segment liabilities	676,824	163,586	114,282	47,049		1,001,742
Unallocated liabilities	2,369	1,256	1,870	(136)		5,359
Unallocated corporate liabilities						175,687
Consolidated total liabilities						1,182,788
Capital Addition	44	3	512	33		592
Depreciation and Amortisation	1,725	2,392	607	371		5,095

	Malaysia RM'000	Sudan RM'000	China RM'000	Thailand RM'000	Other Asean cou RM'000	Eliminations RM'000	Consolidate RM'000
Sales Revenue	117,475	-	-	-	-	-	117,475
	117,475	-	-	-	-	-	117,475
Carrying amount of segment asset	74,646	409,111	-	7,576	14,847	-	506,181
Capital additions	592	-	-	-	-	-	592

10. Valuations of Property, Plant and Equipment

Other than the write down/impairment loss 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 Subsequent Events

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 the write down/allowances for impairment of property, plant, equipment and land held for development and allowance for foreseeable losses/claims on contract projects as disclosed in the Income Statements.

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 except for the following:-

- a) On 15 December 2010, the creditors of Nam Fatt Marketing Sdn. Berhad ("NFM") has confirmed the appointment of Messrs Michael Joseph Monterio and Heng Ji Keng as joint and several liquidators for the winding up of the affairs and distribution of assets of NFM.
- b) On 31 December 2010, the creditors of P & N Construction Sdn. Bhd. ("P&N") has confirmed the appointment of Messrs Michael Joseph Monterio and Heng Ji Keng as joint and several liquidators for the winding up of the affairs and distribution of assets of P&N.

13. Changes in Contingent Liabilities and Assets

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:

Company (Unsecured)

Guarantees given to financial institutions and finance companies in respect of credit facilities granted to subsidiary companies

346,935	(56,310)	290,625
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Guarantees given to third parties in respect of joint ventures

145,383	-	145,383
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492,318	(56,310)	436,008
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Group (Unsecured)

Guarantees given to third parties in respect of joint ventures

53,401	(7,080)	39,241
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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 quarter 31/12/10 RM'000	Preceding year corresponding quarter 31/12/09 RM'000	Current period- to-date 31/12/10 RM'000	Preceding year corresponding period-to-date 31/12/09 RM'000
Malaysian income tax - current year	(1,967)	(3,013)	(2,453)	(1,703)
Foreign income tax - current year	-	(1,124)	-	-
	(1,967)	(4,137)	(2,453)	(1,703)
Malaysian income tax under/(over) provision in previous years	(182)	(32)	(188)	812
Foreign income tax under provision in previous years	-	(5)	-	765
Deferred taxation	-	6,820	-	(132)
Deferred taxation over provision in previous years	-	-	-	-
	(2,149)	2,646	(2,641)	(258)

The effective tax rate for the financial year was higher than the statutory income tax rate in Malaysia due to losses of certain subsidiaries that were not available for full set off against taxable profits of other subsidiaries and certain expenses which were not deductible for tax purposes.

15. Unquoted Investments or Properties

There were no disposals of unquoted investments or properties for the financial period ended 31 December 2010 except for the following disposals that have been announced:-

- 1) On 11 November 2010, Maddusalat Berhad, a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with Great Doctrine (M) Sdn. Bhd. for the disposal of three (3) parcel lands at Kelab Golf Sultan Abdul Aziz Shah, Selangor Darul Ehsan as described as Pajakan Negeri 11895, Lot 741, Pajakan Negeri 11896 Lot 742 and Pajakan Negeri 11891, Lot 736 all Seksyen 13, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan for a cash consideration of RM43.0 million only.
- 2) On 11 November 2010, Maddusalat Berhad, a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with Tekat Maju dn. Bhd. for the disposal of a parcel land known as Pajakan Negeri 11894, Lot 740 Seksyen 13, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan for a cash consideration of RM25.0 million only.
- 3) On 22 November 2010, Agenda Istimewa Sdn. Bhd., a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement with Premium Bahagia Sdn. Bhd. for the disposal of the following for a cash consideration of RM8.3 million only:-

- 81 subdivided residential terrace lots (part of 1M), Bandar Tasik Kesuma, Mukim Beranang, Daerah Petaling, Selangor Darul Ehsan; and
 - 53 subdivided commercial terrace lots (part of Phase 2C) Bandar Tasik Kesuma, Mukim Beranang, Daerah Petaling, Selangor Darul Ehsan
- 4) On 25 November 2010, Nam Fatt Fabricators Sdn. Bhd. ("NFF"), a wholly owned subsidiary of the Company has entered into a Vesting Agreement with Petala Unik Sdn. Bhd. ("Petala"), for the taking over of the business of steel fabrication and related activities thereof carried on by NFF to Petala for a cash consideration of RM5.0 million only.
 - 5) On 06 December 2010, the Company has entered into a Sale and Purchase Agreement with Cengal Saujana Sdn. Bhd. for the disposal of a parcel land known as No. Hakmilik 5626, Lot 2, Seksyen 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan together with buildings erected thereon for a cash consideration of RM21.10 million only.
 - 6) On 30 December 2010, the Company has entered to a Sale and Purchase Agreement with Panorama Positif Sdn. Bhd. for the disposal of a parcel of land known as Geran 45732, Lot 6075, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan for a cash consideration of RM10.050 million only.

16. Quoted Investments

There were no purchase or sale of quoted investments for the financial period ended 31 December 2010.

17. Status of Corporate Proposals

Save for the disclosure in Note 15, the following corporate proposals announced by the Company and have not completed as at 23 February 2010 (being the latest practical date which is not earlier than 7 days from the date of the issuance of this Interim Financial Report)

- (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.

On 22 October 2010, the Shah Alam High Court ("Court") did not grant an order to the Scheme Companies to convene a meeting with its recognized creditors and

the extended ad interim restraining order granted by the Court on 22 October 2001 expires on 12 November 2010.

The Company had on 15 November 2010 filed a Notice of Appeal to the Court of Appeal in relation to the Company's application in the Originating Summons dated 17 March 2010

On 10 December 2010, the Court of Appeal granted an interim order pursuant to Section 44 of the Court of Judicature Act, 1964 pending disposal of the Scheme Companies' appeal proper in the Court of Appeal against the High Court Decision.

(ii) PN17 of the MMLR

On 15 March 2010, the Company announced it has become an affected company pursuant to PN17 of the MMLR.

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

The Company and the Group are required undertake a regularization plan within twelve (12) months from 15 March 2010.

(iii) Proposals subsequent to the current quarter in review

On 25 January 2011, Maddusalat Berhad, a wholly owned subsidiary of the Company has entered into a Sale and Purchase Agreement with JS Bina Sdn. Bhd. for the disposal of a parcel land known as Pajakan Negeri 11890, Lot 734, Seksyen 13, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan for a cash consideration of RM2.85 million only.

On 28 January 2011, the Company has entered into a Share Sale Agreement with Semangat Meriah Sdn. Bhd. for the disposal of its entire 2,495,719 ordinary shares of RM1.00 each in Swissma Building Technologies Sdn. Bhd. ("Swissma") representing 87.97% equity interest in Swissma for cash consideration of RM600,000 only.

18. Group Borrowings And Debt Securities

Particulars of the Group's borrowings as at 31 December 2010 are as follows:

<u>Short term borrowings</u>	<i>RM'000</i>
Term loan - secured	409,178
Project bridging loan - secured	75,710
Islamic commercial papers - secured	130,759
Bank overdrafts - unsecured	17,887
Total borrowings	<u><u>633,534</u></u>

All borrowings are denominated in Ringgit Malaysia except for the Term Loan amount of RM83.35 million 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 Interim Financial 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) 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 06.10.2009. This suit has been consolidated with Kuala Lumpur High Court suit nos. D6-22-644-2007 and S6-22-687-2006 and the consolidated suit has been fixed for full trial on 9-11 May 2011.

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) and the matter is fixed for case management on 14 March 2011 and trial of liability issues on 13 April 2011 to 15 April 2011.

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. This suit has been consolidated with Kuala Lumpur High Court suit nos. S5-22-857-2006 and S6-22-687-2006 and the consolidated suit has been fixed for full trial on 9-11 May 2011

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.

(ii) Arbitration between NF Energy Sdn Bhd and Bentini SpA (as claimants) v Petrodar Operating Company Limited (as respondent)

- (a) The arbitration proceedings relate to disputes arising from the a United States Dollar (USD) 180.0 million contract awarded by Petrodar to the joint venture of Bentini SpA and NF Energy Sdn Bhd (BNFE) on 25 July 2004, for the engineering, procurement, construction and commissioning of 6 pumping facilities along an export pipeline, which forms part of the Melut Basin Oil Development Project in Sudan (Sudan Project).
- (b) Full mechanical completion for the Sudan Project was achieved on 26 August 2009. Disputes arose between the parties on claims made by the JV. The parties attempted but were unable to amicably resolve such disputes.
- (c) On 28 April 2010, NF Energy Sdn Bhd and Bentini SpA issued a notice of arbitration against PDOC for the recovery of USD227,023,876.00 under the Sudan Project, excluding claims pending assessment. The terms of appointment of the arbitration tribunal were subsequently finalised by the parties and members of the arbitration tribunal and received by the Company on 13 January 2010.

(iii) Arbitration between Nam Fatt Construction Sdn Bhd (as claimant) and ZAQ Construction Sdn Bhd (as respondent)

Nam Fatt Construction commenced arbitration proceedings against ZAQ Construction Sdn Bhd (ZAQ) on 18 January 2011 in relation to the procurement, construction and commissioning of a petroleum hub at the reclaimed island off Tanjung Bin, Johor, known as the Asia Petroleum Hub project ("Project"), for disputes arising from:

- (a) a procurement sub-contract to supply and deliver long lead items for works package, with a provisional contract value of RM202,800,000, comprising a letter of award dated 1 March 2007 and articles of

agreement and conditions of contract dated 31 October 2008 (Procurement Subcontract), for the recovery of amongst others:

- (i) unpaid value of procurement done, amounting to RM17,405,998.61;
 - (ii) prolongation losses and damages; and
 - (iii) general losses and damages.
- (b) a construction sub-contract for works packages, with a provisional contract value of RM347,500,000, comprising a letter of award dated 1 March 2007 and articles of agreement and conditions of contract dated 31 October 2008 (Construction Subcontract), for the recovery of amongst others -
- (i) unpaid value of procurement done, amounting to RM6,615,209.32;
 - (ii) unpaid value of variation works done on temporary facilities, amounting to RM12,319,497.48;
 - (iii) retention monies for work done on the temporary facilities, amounting to RM2,685,670.88;
 - (iv) prolongation losses and damages; and
 - (v) general losses and damages, including loss of profit amounting to RM65,863,265.25.

Further proceedings on arbitration are pending the appointment of an arbitrator and agreement on terms of appointment in relation thereto.

- (iv) On 21 February 2011, the Company was notified by the agent for the registered office for Phuket Long Island Development Co Ltd ("PLID"), a company incorporated in Thailand that The Royal Bank of Scotland NV Labuan Branch (formerly known as ABN AMRO Bank NV Labuan Branch) ("RBS") issued a suit against PLID.

PLID is an indirect subsidiary of the Company.

PLID does not have an operating office in Thailand and -

- (a) was unable to ascertain the suit and nature and details of the suit as the same was issued in the Thai national language; and
- (b) took steps to seek and agree on the terms of engagement with a firm of solicitors in Thailand.

PLID had on 28 February 2011 appointed a firm of solicitors in Thailand to represent PLID in the matter. The preliminary details of the suit are as follows -

- (i) RBS filed a lawsuit at the Central Intellectual Property and International Trade Court, Bangkok, Thailand, against PLID on 31 January 2011 to demand the repayment of Thai Baht ("THB") 852,478,141.31; otherwise

- (ii) the foreclosure and sale by public auction of 17 groups of vacant land belonging to PLID, on the western part of Ko Yao Yai Island within Pru Nai Sub-district, Ko Yao District, Phangnga Province, Thailand ("Charged Property").

PLID is the registered owner of the Charged Property. The Charged Property is charged to RBS as security for a facility by RBS to Nam Fatt Investments (Hong Kong) Limited, a corporation related to PLID.

PLID intends to defend the matter.

21. Capital Commitments

There were no capital commitments for the Group as at 31 December 2010.

22. Comparison with Preceding Quarter's Results

The Group posted a revenue of RM15.6 million and loss before taxation of RM115.9 million as compared to the revenue of RM18.1 million and loss before taxation of RM6.4 million in the immediate preceding financial quarter. Revenue declined by RM2.5 million and loss before taxation increased by RM109.5 million as compared to the immediate preceding financial quarter.

The revenue and losses recorded for current quarter in review arose from the following:

- a) Write down/allowances for impairment of property, plant, equipment and land held for development;
- b) Allowance for foreseeable losses/claims on contract projects; and
- c) Gains on disposal/liquidation of subsidiary companies.

23. Review of Performance of the Group

For the financial year ended 31 December 2010, the Group posted revenue and loss before tax of RM117.5 million and RM143.6 million as compared to RM147.3 million and RM557.1 million respectively in the preceding corresponding period.

For the current quarter ended 31 December 2010, the Group's revenue decreased to RM15.6 million from RM45.3 million as reported in the quarter ended 31 December 2009 while the loss before tax in the current quarter is reduced by RM413.5 million from RM527.2 million to RM113.7 million as compared to the preceding year's corresponding quarter. The reason for the decline in revenue and loss for the quarter in review is explained in Note 22 above.

24. Commentary on the Prospects for the current financial period

For the current quarter in review and the disclosure in Note 17, 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. Comparison with Profit Forecast

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

26. Earnings per share

	RM'000
Net profit attributable to equity holders of the parent	<u>(145,432)</u>
	Unit'000
Number of ordinary shares issued as of end of the period	319,593
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>371,696</u>
Basic Earnings Per Share(sen)	(39.13)

27. Breakdown of Realised and Unrealised Profits/Losses

The breakdown of the retained earnings of the group as 31 December 2010 into realized and unrealized profits/losses is as follows:

	As At 31/12/2010 (RM'000)
Profits/(Losses) of the Company and its subsidiaries:-	
- Realized	(19,218)
- Unrealized	(127,000)
Total share of retained earnings of Associates:	
- Realized	-
- Unrealized	-
Less: Consolidation Adjustment	-
Total Profits/(Losses) for current year	(146,218)