NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2010

1. **Basis of Preparation**

The interim financial report has been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The accounting policies and methods of computation adopted by the Group in this report are consistent with those adopted in the financial statements for the period ended 31 March 2009 with the exception for FRS 139, whereby unrealised gains on quoted investments are not recognised in the financial statements until year end. Unrealised losses on quoted investments are recognised immediately whilst unrealised gains will only be recognised at the year end. In addition, as the Company is no longer a viable entity, these financial statements have been prepared on a break up basis on the assumption that all assets and liabilities are recoverable only at residual values.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the period ended 31 March 2009.

1. **Audit Report of Preceding Annual Financial Statements**

The financial statements for the period ended 31 March 2009 were unqualified.

1. **Seasonal or Cyclical Factors**

The business operations of the Group have been significantly affected by the present slump in the shipping industry coupled with the extremely difficult funding situation faced by the Company. The Company is no longer a going concern. Further explanations are provided in table B2.

1. **Nature and Amounts of Unusual Items**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidence for the current quarter.

1. **Changes in Estimates**

There were no changes to the estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

1. **Debt and Equity Securities**

There were no debt and equity issued during the quarter under review.

1. **Dividends Paid**

No dividends have been paid or declared for the quarter under review.

1. **Segment Report**

Segmental analysis is not prepared for the current financial period because the Company has virtually ceased operations.

1. **Valuation of Ships, Property, and Equipment**

The fixed assets are stated at estimated recoverable value based on events and conditions as at the date of this report..

1. **Material Events**

On 4 February 2010, Malaysian Rating Corporation Berhad downgraded the Company’s Al Bai’ Bithamin Ajil Islamic Debt Securities (BaIDS) to BB+id from A-id. This downgrade then triggered an event of default in terms of the Company’s borrowings as it is a condition in the loans taken in 2007 that the Company’s BaIDS should be rated no lower than BBB.

In anticipation of this downgrade, the Company had commenced discussions with its main lenders to seek their consent for the Company’s new lending for its new vessels on order. An announcement was made by the Company on 4 February 2010 highlighting the implications of this downgrade in detail. However, despite several appeals, the Company’s secured lenders did not agree to extend further credit and instead, recalled the existing facilities without further notice. The Company’s unsecured creditors have served the Company several writs of summons to settle the amounts owing. Given this sudden turn of events, the Company was unable to repay any of its obligations. As a cumulative result, the Company’s cash flows were severely and adversely affected leading to an eventual collapse in its business.

The Board is not confident of any reversal in this situation and considers the Company a non going concern.

1. **Changes in the Composition of the Group**

None.

1. **Contingent Liabilities**

At the date of this report, the Company is aware of a claim of RM 5.6 mil by it’s Executive Deputy Chairman (“EDC”) relating to a dispute relating to his employment contract. This matter is now under legal deliberation and the Board is not able to comment further until a decision is made by the Courts.

The Company’s CLO of RM 40 million was recalled by the lenders in this reporting period. The effects of this recall, including the finance costs and charges arising therefrom, have not been accounted for as the Company has not been informed of the outcome of the legal decision as at the date of this report, and the amount is not ascertainable.

1. **Capital Commitments**

There are no capital commitments at the date of this report.

1. **Review of Performance**

On a consolidated basis, the net loss of RM 5.2 million for the quarter ended 30 June 2010 was derived mainly from the residual shipping operations from one of its vessels. All significant assets and liabilities had been fully written off in the previous reporting period.

1. **Prospects for the Current Financial Period**

At the 14th Annual General Meeting (“AGM”) on 31st December 2007, the Board described several initiatives to revamp the Company’s financial status. In that AGM briefing, the Board explained that one of the initiatives was the capital reorganization of the Company to reflect a Balance Sheet that is more acceptable to the lending and investing community, and to enhance shareholder value. Towards this, the Board had commissioned external consultants to review the capital structure and make the necessary recommendations to the Board. Following that exercise, the Board announced its intention to undertake a capital reduction of its issued and paid-up share capital via the cancellation of RM0.65 of the par value of each existing ordinary shares of RM1.00 each and irredeemable non-convertible Islamic preference shares of RM1.00 each (‘Proposed Par Value Reduction’) on 19 January 2009. The capital reorganization proposal was expected to contribute positively to the Company’s efforts to obtain new funding as the revised Balance Sheet, post capital reorganization, is expected to eliminate substantially the brought forward losses and to make the Balance Sheet neater. However, this proposal was not approved by the shareholders at the Extraordinary General Meeting held on 22 May 2009. As a result, the Company’s efforts to raise new funding was significantly impacted negatively.

The Company’s fleet disposal plan has also faced setbacks in that the buyer(s) of our vessels too were having similar funding difficulty. A major potential buyer defaulted and caused the Company to default on its BAIDs repayment commitment that led to the Company’s eventual cash-flow deficiency situation.

Following the downgrading of the Company’s BAID’s and the various setbacks as explained before, all of the Company’s credit facilities were withdrawn, cancelled or recalled by the lenders in this quarter. As a result, the Company faced a severe cash flow crisis and the Company’s EDC was requested to assist in funding the Company’s fleet and operational cash flow requirements, leading to a significant amount remaining outstanding to him as shown in the accounts. However, because of the Company’s continuing severe financial condition, the Company was unable to generate sufficient operating cash flows and consequently, the Board made a decision to retrench almost all of its employees and shut down non productive units in order to conserve cash. The Company is currently operating on a skeleton workforce until it is wound up by creditors.

Following the collapse of the Company’s business, the Board felt that the Company cannot operate as a going concern and as such, all the deposits and prepayments that were considered irrecoverable were written down to net realizable values. Similarly, the Company’s vessels were also written down to recoverable value, net of estimated costs of rectification and towing. The BaIDS holders have also invoked the debenture over two of the Company’s older vessels and these vessels are no longer in the Company’s control. As a result of the Company’s cash-flow situation, due to non repayment of operational debts, the Company’s remaining vessel was subsequently seized by a creditor of the Company and sold to recover the debts due, on 2 August 2010. As such, the Company does not possess any significant assets at the date of this report.

Given the situation explained above, the Company and the Group are no longer viable operating concerns. The Board is in discussions with several parties on the Company’s future but is pessimistic that any of these discussions will lead to a fruitful conclusion. The Board cautions the shareholders accordingly.

1. **Variance of Profit and Forecast Profit Guarantee**

There were no profit forecast or profit guarantee for the period under review.

1. **Taxation**

The income of the Group derived from the operations of sea-going Malaysian registered ships is tax exempt under Section 54A of the Income Tax, 1967.

1. **Profits on Sale of Investments and/or Properties**

 None in this quarter.

1. **Purchase or Disposal of Quoted Investments**

There was no purchase or disposal of quoted investments for the quarter under review.

1. **Status of Corporate Proposals**

There were no other outstanding corporate proposals submitted by the Group as at 30 June 2010.

1. **Group Borrowings**

 The Group borrowings as at 30 June 2010 were as follows:

 

1. An unsecured fixed rate term loan of RM40.0 million which is payable in January 2012.

(b) The BaIDS of principal sum of RM20.4 million. The BaIDS are repayable as follows:



A sum of RM3.6 million fixed deposit had been placed with the Trustee to cover more than 12 months’ interest. However, since the downgrading of the MARC rating in February 2010, the Trustee had taken control of the fixed deposit account and on 17th May 2010 they remitted the money to the BaIDS holder. The security for the BaIDS, a vessel trading in the Philippines, was seized under a Philippines court order and sold to recover debts due to a creditor on 2 August 2010. As such, the accounts above have been prepared to reflect these transactions and events.

1. **Off Balance Sheet Financial Instruments**

The Group did not enter into any contracts involving off balance sheet financial instruments as at the date of this report.

1. **Material Litigation**

Material litigation involving the Group since the last annual balance sheet date to the date of this report has been already disclosed above.

1. **Dividend**

The Directors do not propose any dividends for the current financial quarter ended 31March 2010.

1. **Profit Loss Per Share**

The loss per share has been properly reflected in the financial statements for the period ended 30 June 2010.

By order of the Board

Jini Seelan (MIA 26201)

Company Secretaries

27 August 2010