

**Part A – Explanatory Notes Pursuant to FRS 134**

**A1. Accounting Policies**

The interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.

The accounting policies used by the Group in the quarterly report comply with the principles of the International Financial Reporting Standard ("IFRS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The quarterly report has been prepared based on the presentation, accounting policies and methods of computation consistent with those in the preparation of the audited statutory financial statement for the financial year ended 31 December 2009.

The accounting principles and bases used are consistent with those previously adopted in the preparation of the audited financial statements of the Group except for the adoption of the following applicable new/revised Financial Reporting Standards ("FRS") and IC Interpretation effective for financial year beginning 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segment
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transaction
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments : Disclosures
Amendment to FRS 8	Operating Segment
Amendment to FRS 101	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
Amendment to FRS 107	Cash Flow Statements
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment

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Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interests in Joint Ventures
Amendment to FRS 132	Financial Instruments : Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation -Separation of Compound Instruments -Classification of Rights Issues
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments : Recognition and Measurement
Amendment to FRS 140	Investment Property
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives

The adoption of the above FRSs, Amendments to FRSs and Interpretations do not have any significant financial impact on the Group's results.

**A2. Declaration of Qualification of Audit Report**

There was no qualification in the audited report for the year ended 31 December 2009.

**A3. Seasonality or cyclicity of operations**

The Group's operations are not subject to seasonal or cyclical factors.

**A4. Nature and Amounts of Unusual Items**

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

**A5. Nature and Amount of Changes in Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial year which give a material effect in the current interim period.

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**A6. Issuances or repayment of debt and equity securities**

There were no issuances of new shares or repayment of debt and equity securities during the quarter under review.

**A7. Dividends**

No dividend is being proposed or paid for this quarter.

**A8. Segment Reporting**

**By Business Segments**

	<b>Total Revenue RM</b>	<b>Inter Company RM</b>	<b>External Sales RM</b>	<b>Profit/(Loss) Before Taxation RM</b>
Aviation Services	8,614,438	-	8,614,438	11,294
Property & Investment Holding	1,365,550	-	1,365,550	(81,479)
<b>Group</b>	<b>9,979,988</b>	<b>-</b>	<b>9,979,988</b>	<b>(70,185)</b>

**By Geographical Segment**

	<b>External Sales RM</b>	<b>Profit/(Loss) Before Taxation RM</b>
Malaysia	2,556,358	(78,424)
China	7,423,630	33,774
Hong Kong		(25,535)
<b>Group</b>	<b>9,979,988</b>	<b>(70,185)</b>

**A9. Valuation of Investment Properties and Property, Plant and Equipment**

The valuations of investment properties and land and buildings have been brought forward, without amendment from the previous annual report.

**A10. Material events subsequent to the end of the period**

There were no other material events subsequent to the end of the period.

**A11. Changes in the composition of the Group**

On 29 April 2010, Nagamas subscribed a total of 99,998 ordinary shares of RM1.00 of Nagamas Bizworks Sdn.Bhd. (“NBSB”), a subsidiary company for a cash consideration of RM99,998.00. With effect from that date, NBSB became a fully owned subsidiary of the Company.

On 9 July 2010, Nagamas also incorporated a company, Nagamas Venture Sdn.Bhd. (“NVSB”) with a paid-up capital of RM2.00. With effect from that date, NVSB became a fully owned subsidiary of the Company.

Apart from the above, there were no other changes in the composition of the Group during the quarter

**A12. Changes in contingent liabilities**

There were no contingent liabilities at the end of the quarter.

**A13. Comparison with Preceding Quarter’s Results**

Revenue recorded for current quarter was RM9.98 million which showed a decrease of RM22.86 million compared to that of the preceding quarter. Loss for the quarter before taxation was RM0.07 million compared to a profit of RM0.11 million in the preceding quarter.

The significant decrease in revenue was due to the disposal of the Company’s entire interest in the industrial division which was completed on 8 January 2010.

**A14. Review of Performance against Preceding Year’s Corresponding Quarter**

For the quarter under review, the Group registered a revenue of RM9.98 million and a net loss after taxation of RM0.07 million compared to RM32.84 million and RM0.10 million respectively in the previous year’s corresponding quarter.

Disposal of the Company’s Property on 11 June 2010 resulted in a profit of RM0.63 million and the adjusted loss after taxation of the group was RM0.70 million for the quarter. The net loss for the current quarter was mainly attributable to low gross profit margin achieved for the quarter under review.

**A15. Future Prospects**

The Group is exploring the opportunity to expand its logistic and aviation services and property businesses.

**A16. Variance on Profit Forecast / Profit Guarantee**

No applicable.

**A17. Taxation**

The tax charge relates principally to the current year's profit made by certain profitable subsidiary companies which cannot be offset against the losses of other subsidiary companies within the Group.

**A18. Gain on Sale of Unquoted Investments and/or Properties**

On 11 June 2010, Nagamas entered into a Sale and Purchase Agreement for the proposed disposal of its rights title and interest in and to the land /building known as H.S.(D) 132504, Lot PT 70, Seksyen 23, Bandar Shah Alam, Daerah Petaling, Selangor, bearing the postal address No.5, Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan ("Property") and to the Property for cash consideration of RM4,300,000.00.

Apart from the above, there were no other sale of unquoted investments and properties for the quarter ended 30 June 2010.

**A19. Purchase or Disposal of Quoted Securities**

There were no purchases or disposals of quoted securities by the Group.

**A20. Group Borrowings**

None.

**A21. Off Balance Sheet Financial Instruments**

None.

**PART B: Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB**

**B1. Material Litigation**

None

**B2. Earnings Per Share (EPS)**

The EPS for the quarter was calculated base on the profit after taxation for the quarter divided by the weighted average number of ordinary shares outstanding during the period.

EPS for the quarter is as follows:-

	<b>RM'000</b>
<b>Basic :</b>	$\frac{(70)}{50,895}$
	= (0.14) sen
<b>Diluted :</b>	<b>Not applicable</b>

**B3. Other Receivables**

Included in Other Receivables is a sum of RM8.52 million paid for the acquisition of properties under construction which are situated in the People's Republic of China. Completion of this purchase is expected in the 3<sup>rd</sup> quarter of 2010.