

Company No. 928868 - V

SRC INTERNATIONAL SDN BHD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

The directors of **SRC INTERNATIONAL SDN BHD** hereby submit their report and the audited financial statements of the Group and of the Company for the period 7 January 2011 (date of incorporation) to 31 March 2012.

PRINCIPAL ACTIVITIES

The Company was incorporated on 7 January 2011 and is principally involved in project associated with the exploration, extraction, processing, logistics and trading of conventional and renewable energy resources, natural resources and minerals including all other activities related thereto, any partnership, joint ventures or any arrangements for sharing profit, union of interest or cooperation and property holding.

The principal activities of the subsidiary companies are shown in Note 8 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial period.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial period are as follows:

	Group RM	Company RM
(Loss)/Profit before tax	(29,130,264)	2,586,454
Income tax expense	<u>-</u>	<u>-</u>
(Loss)/Profit for the period	<u>(29,130,264)</u>	<u>2,586,454</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that no known bad debts need to be written off and that no allowance for doubtful debts is required; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

As of 31 March 2012, the Group has a net liabilities position as the Group's total liabilities have exceeded the total assets by RM77,546,907. However, the financial statements of the Group have been prepared on the basis of accounting principles applicable to a going-concern. The going-concern basis presumes the Group will be able to operate profitably in the foreseeable future and will continue to receive financial support from its holding corporation and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. In this connection, the directors are satisfied that the Group will be able to meet its obligations as they fall due for the foreseeable future and a letter of financial support has been obtained from its holding corporation that it will continue to provide financial support to the Group.

Other than as stated in the preceding paragraph, at the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or the setting up of allowance for doubtful debts in the financial statements of the Group or of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liability of any other person; or
- (c) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

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No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of incorporation:

Dato' Che Abdullah @ Rashidi Bin Che Omar (appointed on 22.8.2011)
Datuk Suboh Bin Md Yassin (appointed on 22.8.2011)
Datuk Paduka Ismee Bin Haji Ismail (appointed on 1.8.2011)
Nik Faisal Bin Ariff Kamil (appointed on 7.1.2011)
Vincent Beng Huat Koh (appointed on 7.1.2011 and resigned on 2.8.2011)
Datuk Shahrol Azral Bin Ibrahim Halmi (appointed on 1.8.2011 and resigned on 15.5.2012)

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial period, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	No. of ordinary shares of RM1 each			
	At date of incorporation	Bought	Sold	As at 31.3.2012
Direct interest				
Nik Faisal Bin Ariff Kamil	1	-	(1)	-
Vincent Beng Huat Koh	1	-	(1)	-

None of the other directors in office at the end of the financial period held shares in the Company or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of the financial period. Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD 7 JANUARY 2011 (DATE OF INCORPORATION)
TO 31 MARCH 2012

	Note	Group RM	Company RM
Revenue		-	-
Other income		37,334,479	67,531,680
Other operating expenses		(10,267,574)	(8,748,473)
Finance cost	4	(56,196,753)	(56,196,753)
Share of loss of jointly controlled entity		(416)	-
(Loss)/Profit before tax	5	(29,130,264)	2,586,454
Income tax expense	6	-	-
(Loss)/Profit for the period		(29,130,264)	2,586,454
Other comprehensive loss, net of tax			
Exchange differences on translating foreign operations		(49,416,643)	-
Total comprehensive (loss)/income for the period		(78,546,907)	2,586,454

The accompanying Notes form an integral part of the Financial Statements.

SRC INTERNATIONAL SDN BHD
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STATEMENTS OF FINANCIAL POSITION
AS OF 31 MARCH 2012

	Note	Group RM	Company RM
ASSETS			
Non-current Assets			
Property, plant and equipment	7	110,606	108,125
Investment in subsidiary companies	8	-	6
Goodwill on consolidation	9	-	-
Investment in jointly controlled entity	10	<u>184,079,584</u>	<u>-</u>
Total Non-current Assets		<u>184,190,190</u>	<u>108,131</u>
Current Assets			
Other receivables and prepaid expenses	12	1,541,489	1,525,379
Amount owing by subsidiary companies	13	-	1,828,593,650
Amount owing by a joint venture company		3	-
Tax recoverable		3,635	-
Other financial asset	11	2,000,231,479	2,000,231,479
Short-term deposits with licensed banks	14	1,742,253,047	223,916,549
Cash and bank balances	14	<u>51,685,257</u>	<u>6,235,325</u>
Total Current Assets		<u>3,795,714,910</u>	<u>4,060,502,382</u>
Total Assets		<u>3,979,905,100</u>	<u>4,060,610,513</u>
EQUITY AND LIABILITIES			
Share capital	15	1,000,000	1,000,000
(Accumulated losses)/Retained earnings	16	(29,130,264)	2,586,454
Foreign currency translation reserves		<u>(49,416,643)</u>	<u>-</u>
(Net Liabilities)/Total Equity		<u>(77,546,907)</u>	<u>3,586,454</u>

(Forward)

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	Note	Group RM	Company RM
Non-current Liability			
Islamic term financing	17	<u>4,055,916,753</u>	<u>4,055,916,753</u>
Current Liability			
Other payables and accrued expenses	18	<u>1,535,254</u>	<u>1,107,306</u>
Total Liabilities		<u>4,057,452,007</u>	<u>4,057,024,059</u>
Total Equity and Liabilities		<u>3,979,905,100</u>	<u>4,060,610,513</u>

The accompanying Notes form an integral part of the Financial Statements.

8. INVESTMENT IN SUBSIDIARY COMPANY

	Company RM
Unquoted shares - at cost	<u>6</u>

On 2 September 2011, the Company acquired 2 ordinary shares of RM3.00 each in SRC International (Malaysia) Limited from 1MDB Real Estate Sdn. Bhd., representing 100% of the equity interest, for a total cash consideration of RM6.00. SRC International (Malaysia) Limited intended principally involved in energy related activities and investment holding.

The subsidiary companies are as follows:

Name of Subsidiary	Country of incorporation	Effective equity interest %	Principal Activities
SRC International (Malaysia) Limited (formerly known as Corporate Point (BVI) Ltd)	British Virgin Islands	100	Principally involved in energy related activities and investment holding
Subsidiary of SRC International (Malaysia) Limited			
Pristine Link (BVI) Ltd.	British Virgin Islands	100	Dormant - intended to be principally involved in energy related activities and investment holding
*PT SRC Indonesia	Indonesia	100	Management consulting business

* Audited by other firm of auditors

17. ISLAMIC TERM FINANCING

	Group and Company RM
Unsecured:	
Outstanding financing	<u>4,055,916,753</u>

The Company obtained an Islamic Term Financing from Kumpulan Wang Persaraan (Diperbadankan) amounting to RM4 billion which is guaranteed by the Government of Malaysia and bear profit rate of 4.65% per annum for the first 3 years and profit rate equivalent to 10 years Malaysian Government Securities (MGS) profit rate plus 70 basis points for the remaining tenure of the financing which currently at 4.35%.

The facility has been drawdown in August 2011 and March 2012 at RM2 billion respectively whereby the first profit repayment shall be on the 30th month out of 120 months and the principal repayment shall take effect on the 72th months onwards.

The non-current portion of the Islamic Term Financing is repayable as follows:

	Group and Company RM
1 to 5 years	55,916,753
More than 5 years	<u>4,000,000,000</u>
	<u>4,055,916,753</u>

18. OTHER PAYABLES AND ACCRUED EXPENSES

	Group RM	Company RM
Other payables	105,201	61,204
Accrued expenses	<u>1,430,053</u>	<u>1,046,102</u>
	<u>1,535,254</u>	<u>1,107,306</u>