

## **PAN MALAYSIA CAPITAL BERHAD (76771 - M)**

(Incorporated in Malaysia)

### **NOTES**

#### **A. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 16, FRS 134 INTERIM FINANCIAL REPORTING**

##### **A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The significant accounting policies and methods of computation applied in this unaudited interim financial report are consistent with those adopted in the audited annual financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above Standards, however, do not have significant financial impact on the Group.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since year ended 31 December 2005.

##### **A2. Audit Report of Preceding Annual Financial Statements**

The audit report of the preceding annual financial statements was not qualified.

##### **A3. Seasonal or Cyclical Factors**

The businesses of the Group are not materially affected by seasonal or cyclical factors.

**A4. Profit From Operations**

INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
Quarter Ended	Quarter Ended	Year Ended	Year Ended
31.3.2006	31.3.2005	31.3.2006	31.3.2005
RM'000	RM'000	RM'000	RM'000

Included in Operating Expenses and Other Operating Income are the following:-

**(i) Operating Expenses**

(Provision for)/write back of provision of diminution in value of marketable securities	(1,006)	2,675	(1,006)	2,675
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**(ii) Other Operating Income**

Gain arising on valuation of Bursa Malaysia Berhad shares [Note (a) ]	-	2,273	-	2,273
Gain on disposal of marketable securities	623	1,314	623	1,314
Writeback of allowance for doubtful debts	115	1,919	115	1,919
Writeback of provision for diminution in value of other investments	1,882	-	1,882	-

Note :-

(a) Arising from the demutualisation of the then Kuala Lumpur Stock Exchange, PM Securities Sdn Bhd ("PM Securities"), a subsidiary of the Company, received 9,090,909 ordinary shares in Bursa Malaysia Berhad in 2004. These shares were recognised in the financial statements of PM Securities for the financial year ended 31 December 2004 based on the net tangible assets value of RM 2.75 per share as disclosed in the then audited financial statements of Bursa Malaysia Berhad for the financial year ended 31 December 2003. Upon the Initial Public Offering ("IPO") of Bursa Malaysia Berhad shares in the quarter ended 31 March 2005, these 9,090,909 shares in Bursa Malaysia Berhad owned by PM Securities were valued based on the retail price of the IPO of RM3.00 per share, resulting in a gain of RM2.273 million.

**A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

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

**A6. Changes in Estimates Reported in Prior Interim Periods**

There were no changes in estimates of amounts reported in prior financial year, which may have a material effect in the current quarter ended 31 March 2006.

**A7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities**

There was no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current quarter ended 31 March 2006.

**A8. Dividends Paid**

There was no dividend paid in the current quarter ended 31 March 2006.

**A9. Segmental Information**

Segment information is not provided as the activities of the Group comprise principally of stockbroking and related services in Malaysia.

**A10. Property, Plant and Equipment**

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

During the current quarter ended 31 March 2006, property, plant and equipment acquired by the Group were as follows:-

	<b>RM'000</b>
Land and building	-
Other assets	605
	<u>605</u>

**A11. Material Events Subsequent to the End of the Interim Period**

As at 17 May 2006, there were no material events subsequent to the end of the period reported on that have not been reflected in the interim financial statements.

**A12. Changes in the Composition of the Group**

There was no changes in the composition of the Group in the current year to date.

**A13. Commitments and Contingent Liabilities****(i) Contingent Liabilities**

As at 17 May 2006, the Group did not have any material contingent liabilities.

**(ii) Commitments**

As at 17 May 2006, the Group did not have any underwriting commitments.

**(iii) Capital Commitments**

	<b>31.3.2006</b>
	<b>RM'000</b>
Authorised but not contracted for	-
Contracted but not provided for	441
	<u>441</u>

**B. ADDITIONAL INFORMATION REQUIRED BY PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**B1. Review of Performance**

The Group revenue decreased by 7.69% to RM12.73 million for the current quarter ended 31 March 2006 from RM13.79 million for the preceding year corresponding quarter mainly due to the decrease in brokerage income which was attributed to the decline in value of market transactions on Bursa Securities for the same period.

The Group recorded a profit before tax of RM2.30 million for the current quarter as compared to a profit before tax of RM8.05 million for the preceding year corresponding quarter. The higher profit before tax for the preceding year corresponding quarter was mainly due to the recognition of the gain arising on valuation of Bursa Malaysia Berhad shares and the write back of provision for diminution in value of marketable securities.

**B2. Comparison with Preceding Quarter's Results**

The Group revenue increased by 29.11% to RM12.73 million for the current quarter ended 31 March 2006 from RM9.86 million for the preceding quarter mainly due to the increase in brokerage income for the current quarter which was attributed to the increase in value of market transactions on Bursa Securities for the same period.

The Group recorded a profit before tax of RM2.30 million for the current quarter as compared to a loss before tax of RM3.60 million in the preceding quarter. This was mainly due to the higher revenue and the writeback of provision for diminution in value of other investments in the current quarter.

**B3. Year 2006 Prospects**

The Malaysian economy is envisaged to register a stronger growth in 2006 with a projected increase in real gross domestic product of 6.0%. The favorable economic outlook will have positive effects on market sentiments and trading on Bursa Securities is also expected to improve in tandem with the buoyant market.

The eventual transformation of PM Securities from a Universal Broker to an Investment Bank will provide new business opportunities for PM Securities. Barring unforeseen circumstances, the Group is expected to achieve satisfactory performance in its operations in 2006.

**B4. Variance on Forecast Profit/Profit Guarantee**

This is not applicable to the Group.

**B5. Taxation**

Taxation comprises the following:-

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter Ended 31.3.2006 RM'000	Quarter Ended 31.3.2005 RM'000	Year Ended 31.3.2006 RM'000	Year Ended 31.3.2005 RM'000
Current year	36	35	36	35
Under/(Over) provision in respect of prior years	-	-	-	-
	36	35	36	35
Deferred taxation	-	-	-	-
	36	35	36	35

The Group effective tax rate for the current year to date is lower than the statutory tax rate mainly due to certain other operating income which are not taxable income for tax purposes.

**B6. Profit on Sale of Unquoted Investment and/or Properties**

There were no disposals of unquoted investments or properties for the current year to date.

**B7. Quoted Securities**

- (i) There were no purchases or sales of quoted securities by the Group in the current year to date other than by a subsidiary company engaged in the stockbroking business.
- (ii) The investments in quoted securities of the Group, other than PM Securities, are as follows:-

	<b>31.3.2006</b>
	<b>RM'000</b>
At cost	11,948
At book value	3,019
At market value	<u>3,019</u>

**B8. Status of Corporate Proposals**

The status as at 17 May 2006 of the corporate proposals announced was as follows:-

Affected Listed Issuer pursuant to Practice Note 17/2005 ("PM17") of the Listing Requirements of Bursa Securities and Proposed Par Value Reduction

The Company has on 2 March 2006 announced that due to insignificant business or operations for the financial year ended 31 December 2005, it is an Affected Listed Issuer pursuant to PN17 as the Company's unaudited revenue on a consolidated basis for the financial year ended 31 December 2005, computed on the basis stated in PN17, represents not more than 5% of the issued and paid-up share capital of the Company. Pursuant to PN17, it is considered to have an "insignificant business or operations".

To regularise its financial position, the Company has proposed that the existing issued and paid-up share capital of the Company of RM815,308,845 comprising 815,308,845 ordinary shares of RM1.00 each, be reduced (pursuant to Section 64 of the Companies Act, 1965) to RM326,123,538 comprising 815,308,845 ordinary shares of RM0.40 each, by way of cancellation of RM0.60 of the par value of each existing ordinary share of RM1.00 each of the Company in issue. The Company has merger relief account of RM149.636 million. The merger relief account of RM149.636 million and the reduction of RM0.60 for each existing ordinary share of RM1.00 each in the Company pursuant to the Proposed Par Value Reduction which would give rise to a credit of approximately RM489.185 million, would be utilised to reduce the Company's accumulated losses of approximately RM646.147 million as at 31 December 2005 ("Proposed Par Value Reduction").

Upon the completion of the Proposed Par Value Reduction, the Company's present issued and paid-up share capital would be reduced from RM815.309 million to approximately RM326.124 million ("Reduced Share Capital"). Based on the Reduced Share Capital, the Company would need to achieve revenue on a consolidated basis of not less than approximately RM16.340 million per annum ("Requisite Revenue"), which represents more than 5% of the Reduced Share Capital, to regularise its level of operations (i.e. "insignificant business or operations") pursuant to PN 17.

The Company has also on 4 April 2006 announced that consequential to the Proposed Par Value Reduction, the Company proposed to amend the Memorandum of Association of the Company. This is to facilitate the change in the par value of the Company's ordinary shares which leads to the increase in the number of authorised shares of the Company.

With the expected improving market sentiments on Bursa Securities in 2006 and the projected GDP growth of 6.0% for the Malaysian economy in 2006, the Company would be able to achieve the Requisite Revenue in the first half of 2006, which upon the completion of the Proposed Par Value Reduction, would enable the Company to regularise its level of operations and cease to be an Affected Listed Issuer pursuant to PN17. Barring unforeseen circumstances, the Proposed Par Value Reduction is expected to be completed within six months from the date of announcement on 2 March 2006.

At the Extraordinary General Meeting of the Company held on 15 May 2006, the shareholders approved the above proposals. The Proposed Par Value Reduction is pending the sanction of the High Court.

**B9. Group Borrowings and Debt Securities**

- (i) As at 31 March 2006, the Group have short term borrowings (unsecured) of RM27.39 million.
- (ii) The Company has the following long term loans facilities with MUI Capital Sdn Bhd, which is a former related company:
  - (a) a term loan of RM36.00 million which is unsecured and bears interest at the rate of 6.75% per annum. The loan is to be repaid in 2 instalments of RM18 million each on 18 January 2008 and 18 January 2009. The loan was used for onward lending to PM Securities for purposes of PM Securities working capital and expansion of business; and
  - (b) a term loan of RM18.38 million which is to be repaid on 23 July 2007, is unsecured and bears interest at the rate of 6.75% per annum. The loan was used for purpose of subscribing for the rights issue of PM Securities.

**B10. Off Balance Sheet Financial Instruments**

As at 17 May 2006, the Group did not have any off balance sheet financial instruments.

**B11. Material Litigation**

The material litigation of the Group as at 17 May 2006 are:-

Proceedings have been and will be initiated by PM Securities and Pan Malaysia Equities Sdn. Bhd. against various clients and debtors whose accounts are in default or overdue. As at 17 May 2006, these subsidiary companies have filed claims against various clients and debtors in the aggregate sums of RM795.0 million together with interest and costs.

As at 17 May 2006, counterclaims have been filed against these subsidiary companies alleging claims of RM143.14 million together with interest, cost and other general unspecified damages. The requisite defences have been filed accordingly.

**B12. Dividend**

The Board of Directors do not recommend any dividend for the current quarter ended 31 March 2006.

### B13. Earnings Per Share

(i) Basic earnings per share :-

The basic earnings per ordinary share is calculated by dividing the net profit for the quarter/period by the weighted average number of ordinary shares in issue during the quarter/period.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter Ended 31.3.2006	Quarter Ended 31.3.2005	Year Ended 31.3.2006	Year Ended 31.3.2005
Net profit for the period (RM'000)	2,267	8,018	2,267	8,018
Weighted average number of ordinary shares in issue	815,308,845	815,308,845	815,308,845	815,308,845
Earnings per share (sen)	0.28	0.98	0.28	0.98

(ii) The diluted earnings per share is not disclosed as it is not applicable.

### C1. Transformation of PM Securities Sdn Bhd ("PM Securites") from a Universal Broker to Investment Bank

PM Securities which is a Universal Broker, is poised to be transformed to an Investment Bank. PM Securites had on 5 January 2006 paid an initial deposit of RM10.0 million as part payment of a total contribution of RM52.5 million to Bank Negara Malaysia ("BNM"). BNM, the Securities Commission and Bursa Securities had commenced a due diligence review on PM Securities to ensure that PM Securities meets the preconditions of becoming an Investment Bank.

**BY ORDER OF THE BOARD**  
**PAN MALAYSIA CAPITAL BERHAD**

**LEONG PARK YIP**  
Company Secretary

Dated: 23 May 2006  
Kuala Lumpur