NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2010

Part A - Explanatory notes pursuant to FRS 134

A1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and *Chapter 9 Appendix 9B of the Listing Requirements* of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 March 2010. These explanatory notes attached to the interim financial report 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 the financial year ended 31 March 2010.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 March 2010, except for the adoption of Financial Reporting Standards ("FRSs") effective for financial periods beginning 1 April 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 132	Financial Instruments: Classification of Rights Issues

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7:Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 3 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the adoption of FRS 8, FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and the presentation of the financial results of the Group.

(a) FRS 8: *Operating Segments*

The Group applied this standard from financial periods beginning on 1 April 2010. As this is a disclosure standard, there is no impact on the financial position or results of the Group. This new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purpose.

(b) FRS 101: *Presentation of Financial Statements (Revised)*

Arising from adoption of revised FRS101 which separates owner and non-owner changes in equity, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The Group has adopted the format of consolidated statement of comprehensive income by presenting all items of income and expenses recognised in the income statement, together with all other items of recognised income and expense in one single statement. The adoption of this standard does not have any impact on the financial position and results of the Group.

Part A - Explanatory notes pursuant to FRS 134 (cont'd)

(c) FRS 139: *Financial Instruments: Recognition and Measurement*
The Group adopted FRS 139 on 1 April 2010 which has resulted in changes to accounting policies related to classification, recognition and measurement of its financial assets and liabilities as discussed below:

(i) Initial recognition and measurement
A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments. A financial instrument is recognised initially at its fair value. In the case of a financial instrument not categorised as fair value through profit or loss, the financial instrument is initially recognised at its fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. In the event that the embedded derivative is recognised separately, the host contract is accounted for is accordance with the policy applicable to the nature of the host contract.

(ii) Financial assets
(i) Financial assets at fair value through profit or loss
Prior to the adoption of FRS139, financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at lower of cost and market values, determined on an aggregate basis. With the adoption of FRS 139, the Group's short-term investments are now categorised and measured at fair value through profit or loss and measured at their fair values with the gains and losses recognised in profit or loss.

(ii) Loans and receivables
Prior to adoption of FRS139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Gains and losses arising from the amortisation process, impairment, or derecognition of this financial assets are recognised in Statement of Comprehensive Income.

(iii) Financial liabilities
The Group's financial liabilities include borrowings, trade and other payables. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

A2. **Seasonal or cyclical factors**

The business of the Group is not subject to seasonal or cyclical fluctuations.

A3. **Unusual items due to their nature, size and incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 September 2010 except for other operating income arising from shortfall in profit guarantee of RM 6,978,359.

A4. **Changes in estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

A5. **Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period ended 30 September 2010.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2010

Part A - Explanatory notes pursuant to FRS 134 (cont'd)

A6. **Dividend paid**

A Special Interim Dividend of RM4.9 million to the holders of 39,630,164 ordinary shares of RM1.00 each in Pansar, being shareholders other than Tan Sri Dato' Paduka (Dr) Ting Pek Khiing ("Tan Sri Ting") and persons connected to Tan Sri Ting, which amounted to 16.48 sen per share or 12.36 sen (net of 25% taxation) per share for the financial year ending 31 March 2011 was paid on 27 September 2010.

A7. **Segmental information**

The information for each of the Group's industry segments is as follows:

	Revenue		**Profit/(loss) before tax**	
	Period to date		**Period to date**	
	30.09.10 RM'000	**30.09.09 RM'000**	**30.09.10 RM'000**	**30.09.09 RM'000**
Timber extraction and trading	-	-	(5)	(2)
Investment holding	-	-	6,963	(68)
Total	-	-	6,958	(70)

A8. **Valuation of property, plant and equipment**

There was no valuation of the property, plant and equipment for the financial period ended 30 September 2010.

A9. **Subsequent Events**

The subsequent event pertaining to the Proposed Acquisition of Pansar Company Sdn Bhd and Pansar Engineering Services Sdn Bhd is detailed under note B8.

A10. **Changes in the Composition of the Group**

On 12 May 2008, the Company entered into a Conditional Sale and Purchase Agreement ("CSPA") with Pan Sarawak Holdings Sdn Bhd to effect the Proposed Acquisition, comprising:-

(a) 5,000,000 shares in Pansar Company Sdn Bhd ("PCSB") representing 100% equity interest in PCSB for a consideration of RM93,500,000; and

(b) 500,000 shares in Pansar Engineering Services Sdn Bhd ("PESSB") representing 100% equity interest in PESSB for a consideration of RM25,500,000.

The total consideration for the Proposed Acquisition amounted to RM119,000,000 and was satisfied wholly *via* issuance of 238 million new ordinary shares of RM0.50 each in the Company at the issue price of RM0.50 per share. The Proposed Acquisition was completed on 3 November 2010. Upon completion of the Proposed Acquisition, the Company became the legal parent of PCSB and PESSB.

A11. **Contingent liabilities and contingent assets**

	As at	
	30.09.10 RM'000	**30.09.09 RM'000**
Contingent asset		
- Shortfall in profit guarantee receivable from the vendor of timber rights	-	6,978

The contingent asset is in respect of the shortfall in profit guarantee for the financial year ended 31 March 1999. The shortfall was receivable from Equatorial Timber Marketing Sdn Bhd, the vendor of the timber rights, a company in which a director, Tan Sri Ting, has substantial financial interests. The contingent asset had been fully realised on 12 August 2010.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2010

Part A - Explanatory notes pursuant to FRS 134 (cont'd)

A12. **Capital Commitments**

There were no commitments in respect of the Group since the last annual reporting date to the date of this report.

A13. **Significant Related Party Transactions**

	Quarter ended		Year to date	
	30.09.10	30.09.09	30.09.10	30.09.09
	RM'000	RM'000	RM'000	RM'000
Shortfall in profit guarantee received from Equatorial Timber Marketing Sdn Bhd, a company in which a director, Tan Sri Ting, has substantial financial interests	6,978	-	6,978	-

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. **Review of performance**

Profit of the Group for the six (6) months period ended 30 September 2010 was at RM6.96 million compared to RM0.07 million in the preceding corresponding period. The increase was primarily due to recognition of other operating income arising from shortfall in profit guarantee.

B2. **Material changes in profit before taxation for the quarter**

The Group's profit before tax stood at RM7.01 million for the quarter under review compared to loss before tax of RM0.05 million registered in the preceding quarter ended 30 June 2010. The increase in the Group's profit in the current quarter was mainly due to recognition of shortfall in profit guarantee.

B3. **Prospects for the year ending 31 March 2011**

Barring any unforseen circumstances, the Group is looking forward to achieving positive performance for the current financial year following the completion of corporate exercise on 3 November 2010.

B4. **Profit forecast or profit guarantee**

Not applicable.

B5. **Income tax expense**

	Quarter ended		Year to date	
	30.09.10	30.09.09	30.09.10	30.09.09
	RM'000	RM'000	RM'000	RM'000
Current tax	10	-	10	-

B6. **Sale of unquoted investments and properties**

There was no disposal of unquoted investments and/or properties during the financial period ended 30 September 2010.

B7. **Quoted securities**

There was no purchase or disposal of quoted securities during the financial period ended 30 September 2010.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2010

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)

B8. **Corporate proposals**

Further to the Company's quarterly announcement for the quarter ended 30 June 2010 (which was announced on 30 August 2010), the Proposed Restructuring Scheme was completed on 3 November 2010.

B9. **Borrowings**

There were no group borrowings and debt securities as at 30 September 2010.

B10. **Off balance sheet financial instruments**

There were no off balance sheet financial instruments at the date of this report.

B11. **Derivatives**

There were no derivatives entered into by the Group as at the end of the quarter under review.

B12. **Gains/losses arising from fair value changes of financial liabilities**

There were no gains/losses arising from fair value changes of financial liabilities.

B13. **Changes in material litigation**

There was no material litigation pending at the date of this report.

B14. **Dividends**

A Special Interim Dividend was declared for the 3-month financial period ended 30 September 2010.

The proposed Special Interim Dividend of 16.48 sen less 25% Malaysian tax, in respect of the financial year ending 31 March 2011 was approved by shareholders at the Extraordinary General Meeting held on 2 March 2010. The aforesaid dividend was paid to shareholders on 27 September 2010.

B15. **Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	Quarter ended		**Year to date**	
	30.09.10	**30.09.09**	**30.09.10**	**30.09.09**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) for the period	7,000	(61)	6,948	(70)
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic earnings/(loss) per share (sen)	16.67	(0.15)	16.54	(0.17)
Diluted earnings/(loss) per share (sen)	16.67	(0.15)	16.54	(0.17)

B16. **Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 March 2010 was not subject to any qualification.