

PACIFICMAS BERHAD (Company No. 5024-T)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position
As at 30 June 2010

	As at 30 June 2010 RM'000	As at 31 Dec 2009 RM'000
ASSETS		
Property and equipment	100,174	101,828
Investment properties	663	767
Intangible assets	11,217	11,322
Associated company	1,728	1,584
Available-for-sale securities	336,068	359,384
Trading securities	20,239	-
Reinsurance assets	72,850	65,808
Deferred tax assets	3,606	3,199
Tax recoverable	7,664	4,124
Loans and receivables	463,360	354,648
Trade and other receivables	33,938	27,230
Deposits with financial institutions	131,096	127,802
Cash and bank balances	10,742	4,974
Total Assets	<u>1,193,345</u>	<u>1,062,670</u>
EQUITY AND LIABILITIES		
Equity attributable to ordinary equity holders of the parent		
Share capital	170,994	170,994
Fair value reserves	767	(1,297)
Retained profits	393,939	398,824
	<u>565,700</u>	<u>568,521</u>
Minority interests	<u>3,781</u>	<u>3,598</u>
Total Equity	<u>569,481</u>	<u>572,119</u>
Liabilities		
Insurance contract liabilities	185,455	175,460
Deferred tax liabilities	6,255	6,670
Borrowings	379,233	273,109
Trade and other payables	49,028	32,187
Tax payable	3,893	3,125
Total Liabilities	<u>623,864</u>	<u>490,551</u>
Total Equity and Liabilities	<u>1,193,345</u>	<u>1,062,670</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

PACIFICMAS BERHAD (Company No. 5024-T)
(Incorporated in Malaysia)

Condensed Consolidated Income Statement
For the period ended 30 June 2010

	<u>2010</u> Current qtr ended 30 Jun RM'000	<u>2009</u> Comparative qtr ended 30 Jun RM'000	<u>2010</u> 6 months Cumulative to 30 Jun RM'000	<u>2009</u> 6 months Cumulative to 30 Jun RM'000
Revenue	63,952	64,215	122,801	116,676
Reinsurance	(8,534)	(20,515)	(21,257)	(31,286)
Other operating gains	267	7,548	1,396	10,224
Net claims paid	(16,586)	(18,987)	(33,616)	(35,785)
Net change in insurance contract liabilities	(2,099)	718	(2,953)	4,843
Net fees and commissions	(7,972)	(5,374)	(14,274)	(9,312)
Operating expenses	(17,364)	(16,480)	(33,091)	(32,980)
Finance costs	(2,920)	(2,004)	(5,170)	(2,894)
Share of results of associated company	96	96	204	158
Profit before taxation	8,840	9,217	14,040	19,644
Taxation	995	(2,153)	499	(4,137)
Net profit for the period	9,835	7,064	14,539	15,507
<u>Total profit attributable to:</u>				
Ordinary equity holders of the parent	9,722	6,992	14,352	15,436
Minority interests	113	72	187	71
Net profit for the period	9,835	7,064	14,539	15,507
EPS - Basic (sen)	5.69	4.09	8.39	9.03

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

PACIFICMAS BERHAD (Company No. 5024-T)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2010

	<u>2010</u> Current qtr ended 30 Jun RM'000	<u>2009</u> Comparative qtr ended 30 Jun RM'000	<u>2010</u> 6 months Cumulative to 30 Jun RM'000	<u>2009</u> 6 months Cumulative to 30 Jun RM'000
Net profit for the period	9,835	7,064	14,539	15,507
Available-for-sale securities				
- Unrealised gains, before tax	1,310	1,641	2,842	1,137
- Reclassification of (gains)/losses to income statement on disposal, before tax	(393)	(183)	(449)	71
- Tax on fair value movements	(195)	96	(333)	227
Other comprehensive income, net of tax	<u>722</u>	<u>1,554</u>	<u>2,060</u>	<u>1,435</u>
Total comprehensive income for the period, net of tax	<u>10,557</u>	<u>8,618</u>	<u>16,599</u>	<u>16,942</u>
<u>Total comprehensive income attributable to:</u>				
Ordinary equity holders of the parent	10,447	8,501	16,416	16,813
Minority interests	110	117	183	129
Total comprehensive income for the period	<u>10,557</u>	<u>8,618</u>	<u>16,599</u>	<u>16,942</u>

PACIFICMAS BERHAD (Company No. 5024-T)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2010

	←	Attributable to Ordinary Equity Holders of the Parent Distributable		→	Minority Interests	Total Equity
	Share Capital RM'000	Fair Value Reserves RM'000	Retained Profits RM'000	Total RM'000	RM'000	RM'000
6 months ended 30 June 2009						
At 1 January 2009	170,994	(5,364)	386,025	551,655	3,358	555,013
Total comprehensive income for the period	-	1,377	15,436	16,813	129	16,942
Dividends paid	-	-	(12,825)	(12,825)	-	(12,825)
At 30 June 2009	<u>170,994</u>	<u>(3,987)</u>	<u>388,636</u>	<u>555,643</u>	<u>3,487</u>	<u>559,130</u>
6 months ended 30 June 2010						
At 1 January 2010	170,994	(1,297)	398,824	568,521	3,598	572,119
Total comprehensive income for the period	-	2,064	14,352	16,416	183	16,599
Dividends paid	-	-	(19,237)	(19,237)	-	(19,237)
At 30 June 2010	<u>170,994</u>	<u>767</u>	<u>393,939</u>	<u>565,700</u>	<u>3,781</u>	<u>569,481</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

PACIFICMAS BERHAD (Company No. 5024-T)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2010

	<u>2010</u>	<u>2009</u>
	6 months	6 months
	ended	ended
	30 Jun	30 Jun
	RM'000	RM'000
Profit before taxation	14,040	19,644
Adjustment for:		
Non-cash items	<u>2,144</u>	<u>(8,565)</u>
Operating profit before changes in working capital	16,184	11,079
Changes in working capital		
Net disposal/(acquisition) of investments	6,706	(35,444)
Net disposal of an investment property	410	-
Increase in loans, trade and other receivables	(125,423)	(3,682)
Increase in trade and other payables	24,146	10,612
Interest and net dividends received	8,082	8,371
Interest and commitment fees paid	(4,549)	(2,808)
Income tax paid	<u>(3,402)</u>	<u>(4,928)</u>
Net cash flows used in operating activities	<u>(77,846)</u>	<u>(16,800)</u>
Investing activities:		
Net disposal of investments	362	3,118
Interest and net dividends received	366	399
Net purchase of property and equipment and intangible assets	<u>(707)</u>	<u>(695)</u>
Net cash flows generated from investing activities	<u>21</u>	<u>2,822</u>
Financing activities:		
Dividends paid	(19,237)	(12,825)
Borrowings and debt securities	106,501	29,000
Net cash flows generated from financing activities	<u>87,264</u>	<u>16,175</u>
Net change in cash and cash equivalents	9,439	2,197
Cash and cash equivalents at beginning of year	131,667	144,885
Cash and cash equivalents at end of period	<u>141,106</u>	<u>147,082</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	131,096	142,089
Cash and bank balances	10,742	6,998
Bank overdrafts	<u>(732) #</u>	<u>(2,005)</u>
	<u>141,106</u>	<u>147,082</u>

As disclosed in Note B9 of the explanatory notes.

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Accounting policies

The interim financial report has been prepared in accordance with the reporting requirements outlined in Financial Reporting Standard (“FRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the listing requirements of Bursa Malaysia Securities Berhad (“the Listing Requirements”). The interim report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 December 2009. 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 the financial year ended 31 December 2009.

The accounting policies and methods of computation applied in the interim financial statements are consistent with those applied in the annual audited financial statements for the year ended 31 December 2009, except for the Group’s adoption of the following new/revised FRSs, amendments to FRSs and Interpretations of the Issues Committee (“IC”) issued by the MASB that are mandatory for the financial period beginning 1 January 2010:

FRSs, Amendments to FRSs and IC Interpretations

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
Amendments to FRS 1	First Time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
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 2-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
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2009)

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

FRS 7 requires disclosure of both qualitative and quantitative information of the Group's financial instruments in its annual financial statements as well as the risks associated with these instruments, including how the Group manages those risks.

On adoption of FRS 4, expanded disclosures are required and reclassification of certain items in the statement of financial position (including comparatives) previously reported on net basis to gross basis is required. The following comparative figures for financial year 2009 have been restated on adoption of FRS 4:

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009	Previously reported RM'000	Reclassification RM'000	As Restated RM'000
Assets			
Reinsurance assets	-	65,808	65,808
Trade and other receivables	27,034	196	27,230
Liabilities			
Insurance contract liabilities	-	175,460	175,460
Trade and other payables	31,991	196	32,187
Claim liabilities	66,019	(66,019)	-
Premium liabilities	43,633	(43,633)	-

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. The Group's segmental reporting is presented based on the internal reporting to management and the Board of Directors. FRS 8 does not have any impact on the financial position and results of the Group.

The adoption of the revised FRS 101 affects the presentation of the Group's financial statements (e.g. Statement of Comprehensive Income) and new disclosure of the Group's capital management strategy in the annual financial statements.

FRS 123 as well as the amendments to FRSs and IC Interpretations adopted by the Group in the current financial year are not expected to have significant impact on the financial statements of the Group.

The Group had early adopted FRS 139 Financial Instruments: Recognition and Measurement in the financial year ended 31 December 2008, which is mandatory for financial periods beginning on and after 1 January 2010.

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

As at the date of this interim report, the following new/revised FRSs, amendments to FRSs and IC interpretations have been issued by MASB but are not effective yet and have not been adopted by the Group:

FRSs, Amendments to FRSs and IC Interpretations		Effective for annual financial periods beginning on or after
FRS 1	First-time adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132 (paragraphs 11, 16 & 97E)	Financial Instruments: Presentation (relating to classification of Rights Issues)	1 March 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2010)	1 July 2010

The revised FRS 3 and FRS 127 will impact the Group's consolidation accounting relating to the acquisition costs and disposal of interests in subsidiaries. Amendments to FRS 7 require enhanced disclosures on fair value measurements and liquidity risk. FRS 1, other amendments to FRSs, the IC interpretations and amendments to IC interpretation 9 are not expected to have any significant impact on the financial statements of the Group.

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

A2 Seasonal or cyclical factors

The principal business operations of the Group were not significantly affected by seasonal or cyclical factors.

A3 Items of unusual nature and amount

There were no items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the current quarter and current financial year-to-date that were unusual because of their nature, size or incidence.

A4 Changes in estimates of amounts reported in the prior interim period of the current financial year or in prior financial years

There were no significant changes in estimates of amounts reported in the prior interim period of the current financial year or in prior financial years that have had a material effect on the current quarter ended 30 June 2010.

A5 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

Save as disclosed below, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities by the Group for the current quarter and in the current financial year-to-date.

Commercial Papers/Medium Term Notes Programme of the Group's Hire-Purchase/Leasing Subsidiary	Current Quarter Ended 30 Jun 2010 RM'million	Current Financial Year-to-Date 30 Jun 2010 RM'million
At the beginning of period	65	75
Issued during the period	105	255
Redemption during the period	(105)	(265)
At the end of period	65	65

A6 Dividends paid

The Company paid a final net dividend of 15 sen per share less 25% taxation amounting to RM19,236,765 on 15 June 2010 in respect of the financial year ended 31 December 2009. This final dividend was accounted for in equity as appropriation of retained profits in the current financial year-to-date.

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A7 Segment revenue and results

The segment revenue and segment results for the Group's business segments for the current financial year-to-date are as follows:-

	Underwriting of General Insurance RM'000	Management of unit trust funds and private investment mandates RM'000	Hire-purchase, leasing and other related financing services RM'000	Property investment and management RM'000	Investment holding and management services RM'000	Eliminations RM'000	Total RM'000
By business segment							
External revenue	78,559	17,918	17,791	4,166	4,367	-	122,801
Inter-segment revenue	-	58	-	940	2,374	(3,372)	-
Segment revenue	<u>78,559</u>	<u>17,976</u>	<u>17,791</u>	<u>5,106</u>	<u>6,741</u>	<u>(3,372)</u>	<u>122,801</u>
Segment profit before taxation	<u>1,960</u>	<u>1,593</u>	<u>6,402</u>	<u>1,031</u>	<u>2,960</u>	<u>(110)</u>	<u>13,836</u>
Share of results of associated company							<u>204</u>
Profit before taxation							<u>14,040</u>
Taxation							<u>499</u>
Net profit for the period							<u>14,539</u>
Segment assets	<u>336,504</u>	<u>43,758</u>	<u>494,436</u>	<u>98,084</u>	<u>644,290</u>	<u>(435,697)</u>	<u>1,181,375</u>
Investment in associated company							<u>1,728</u>
Goodwill on consolidation							<u>10,242</u>
Total assets							<u>1,193,345</u>
Total liabilities	<u>204,433</u>	<u>20,163</u>	<u>388,547</u>	<u>78,409</u>	<u>1,389</u>	<u>(69,077)</u>	<u>623,864</u>

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A8 Material subsequent events

There are no material events subsequent to the end of the current quarter that have not been reflected in the financial statements for this quarter.

A9 The effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations

There were no changes in the composition of the Group during the current quarter.

A10 Changes in contingent liabilities and contingent assets

Other than the contingent liabilities arising from insurance contracts underwritten by the insurance subsidiary in the ordinary course of its business, the contingent liabilities of the Group as at 30 June 2010 were as follows:-

	As at 30 Jun 2010 RM'000	<u>Group</u> As at 31 Dec 2009 RM'000	Decrease RM'000	As at 30 Jun 2010 RM'000	<u>Company</u> As at 31 Dec 2009 RM'000	Increase RM'000
Corporate guarantees given by the Company to financiers to secure credit facilities of subsidiaries	-	-	-	498,000	344,000	154,000
Import letters of credit undertaken by hire-purchase/leasing subsidiary on behalf of clients	3,147	11,111	(7,964)	-	-	-
Total	3,147	11,111	(7,964)	498,000	344,000	154,000

B. ADDITIONAL INFORMATION AS REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B1 Review of performance

The Group's profit before taxation ("PBT") for the current quarter ("2Q2010") of RM8.84 million was lower by 4.1% compared with RM9.22 million recorded in the second quarter of 2009 ("2Q2009"). This was mainly attributable to the loss of RM0.70 million for the Group's trading equities in 2Q2010 against a gain of RM5.18 million under more favourable stock market conditions in 2Q2009.

The decline in the Group's PBT was mitigated by the following:

- (a) Turnaround from an underwriting loss of RM2.19 million in 2Q2009 to an underwriting profit of RM0.49 million in 2Q2010 recorded by the Group's insurance subsidiary;
- (b) Higher profit contribution by RM1.86 million by the Group's hire-purchase/leasing subsidiary; and
- (c) Performance fee income of RM0.87 million earned by the Group's unit trust management subsidiary (2Q2009: nil).

Although Group PBT declined in 2Q2010, Group's profit after tax ("PAT") for 2Q2010 of RM9.84 million was higher than 2Q2009 PAT of RM7.06 million by RM2.78 million. This was attributable to the overprovision of tax for prior years by the Group's insurance subsidiary as well as the higher tax savings on tax exempt distributions from the Group's investment in wholesale bond funds in 2Q2010.

The Group PBT for the current financial year-to-date ended 30 June 2010 ("YTD 2010") decreased to RM14.04 million from RM19.64 million recorded in the previous year's corresponding period ("YTD 2009"). This was mainly due to:-

- (a) Lower gain by RM5.81 million for the Group's trading equities; and
- (b) Underwriting loss of RM2.53 million was recorded by the Group's insurance subsidiary in YTD 2010 compared with an underwriting profit of RM1.11 million in YTD 2009.

However, the unfavourable performance was mitigated by the higher profit contributions of the hire-purchase/leasing and unit trust management subsidiaries on account of higher revenue.

B2 Material change in profit before taxation for the current quarter compared to the immediate preceding quarter

The Group's PBT increased by 70% to RM8.84 million in 2Q2010 from RM5.20 million in the immediate preceding quarter ("1Q2010") mainly due to:-

- (a) Underwriting profit of RM0.49 million achieved by the Group's insurance subsidiary in 2Q2010 as opposed to an underwriting loss of RM3.02 million in 1Q2010;
- (b) Higher performance fee from private mandate earned by the Group's unit trust management subsidiary; and
- (c) Higher net interest income earned by the hire-purchase/leasing subsidiary, but moderated by higher personnel cost.

However, the improved performance was moderated by trading loss of RM0.70 million for the Group's trading equities in 2Q2010 against trading gain of RM0.85 million in 1Q2010.

B3 Prospects

After a significant pick-up in the Malaysian economy in the first half of the year, growth is likely to slow down in the remaining half of the year amidst the slowdown in the pace of global economic recovery. Notwithstanding the slowdown and the impact of interest rate hikes, the Group is expected to achieve satisfactory results for the rest of 2010. It is also to be noted that the Group's results would be significantly impacted by the gain on disposal of the insurance subsidiary if the disposal is completed by year end [Refer Note B8 (b)].

B4 Profit forecast and profit guarantee

Not applicable.

B5 Taxation

Major components of tax expense/(credit)

	Current Quarter Ended 30 Jun 2010 RM'000	Current Financial Year-to-Date 30 Jun 2010 RM'000
Income tax:		
Malaysian income tax – current year's provision	1,638	3,115
Over provision in respect of prior years	(2,458)	(2,459)
	(820)	656
Deferred tax relating to origination and reversal of temporary differences	(175)	(1,155)
Tax expense/(credit)	(995)	(499)

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

**Reconciliation of tax expense/(credit) with
profit before taxation:**

	Current Quarter Ended 30 Jun 2010 RM'000	Current Financial Year-to-Date 30 Jun 2010 RM'000
Profit before taxation	8,840	14,040
Taxation at 25%	2,210	3,510
Tax effect arising from:-		
Non-allowable expenses	290	489
Exempt income	(1,056)	(2,039)
Over provision of income tax in prior years	(2,458)	(2,459)
Under provision of deferred tax in a prior year	19	-
Tax expense/(credit) for the period	(995)	(499)
Effective tax rate	16.33%	13.96%

B6 Profits/(losses) on sale of unquoted investments and/or properties

Profit on sale of unquoted investments and properties by the Group in the current quarter and current financial year-to-date were as follows:-

Net Gains from Disposals:

	Current Quarter Ended 30 Jun 2010 RM'000	Current Financial Year-to-Date 30 Jun 2010 RM'000
Fixed Income Securities (Unquoted)	-	4
Investment Property	318	318

B7 Particulars of purchase or disposal of quoted securities

Other than the sale and purchase transactions carried out by the insurance subsidiary in its ordinary course of business, the other transactions for quoted securities of the Group for the current quarter and current financial year-to-date were as follows:-

Purchase & Disposal of Quoted Securities RM'000	Current Quarter Ended 30 Jun 2010	Current Financial Year-to-Date 30 Jun 2010
Purchase cost	3,101	14,861
Sale proceeds	824	2,422
Net gain from disposal	88	210

As at 30 Jun 2010 RM'000	Cost	Carrying Value	Market Value
Quoted securities	12,649	12,455	12,455

B8 Status of corporate proposals

(a) Rectification of Public Shareholding Spread

Following the take-over of PacificMas Berhad (“PacificMas”) by OCBC Capital (Malaysia) Sdn Bhd (“OCBC Capital”) in 2008, OCBC Capital held 67.07% shareholding in PacificMas which resulted in PacificMas not complying with the minimum 25% public shareholding spread requirement (“Public Shareholding Spread”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). OCBC Capital had sold down its shareholding by 6.1 million ordinary shares on 9 June 2009, thus reducing its total shareholdings in PacificMas from 67.07% to 63.50%. However, PacificMas remained not compliant with the Public Shareholding Spread.

On 24 June 2010, PacificMas received an approval letter from Bursa Securities for a further extension of three months until 25 September 2010 to comply with the Public Shareholding Spread. Notwithstanding this, PacificMas, together with OCBC Capital, will continue with its efforts to rectify its Public Shareholding Spread as soon as feasible.

(b) Proposed disposal of insurance business (“Proposed Disposal”)

The Minister of Finance via Bank Negara Malaysia (“BNM”) had approved the take-over of PacificMas by OCBC Capital subject to the following two conditions (“Approval Conditions”):-

- (i) Oversea-Chinese Banking Corporation Limited (“OCBC”) is required to resolve its holdings in The Pacific Insurance Berhad (“PIB”) and Overseas Assurance Corporation (Malaysia) Berhad (“OACM”), within 18 months from the date of completion of the take-over; and
- (ii) In the event of a merger between OACM and PIB, OCBC is required to dispose of and limit its interest in the merged entity to not more than 51%, within 18 months from the date of completion of the take-over (i.e. 17 October 2009).

On 2 February 2010, OCBC Capital notified PacificMas that BNM had approved an extension of time of one (1) year from 18 October 2009 for OCBC to comply with the Approval Conditions.

PacificMas announced on 21 April 2010, 14 May 2010 and 9 June 2010 that BNM had no objection in principle for PacificMas to commence preliminary negotiations with Great Eastern Group, Fairfax Asia Ltd and Tokio Marine Asia Pte Ltd (“TMA”) respectively to dispose of all the issued and paid-up share capital of PIB. However, PacificMas informed TMA, on

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

26 July 2010, of its decision to discontinue negotiations with TMA on the Proposed Disposal.

Negotiations with Great Eastern Group and Fairfax Asia Ltd are on-going and the prior approval of the Minister of Finance, with the recommendation of BNM, pursuant to the Insurance Act 1996, would have to be obtained before any agreement is entered into with any party to effect the Proposed Disposal.

Professional advisers have been appointed to assist and advise on the Proposed Disposal.

B9 Borrowings and debt securities

- (i) As at 30 June 2010, the Group's outstanding borrowings and debt securities payable were as follows:-

	RM'000
Bank borrowings:	
Bank overdrafts	732
Revolving credits	223,500
Private debt securities	65,000
Recourse obligations on receivables sold to Cagamas Berhad	<u>90,001</u>
	<u>379,233</u>

The bank borrowings of RM224.23 million and recourse obligations on receivables sold to Cagamas Berhad of RM90 million were secured by corporate guarantees from the Company while the private debt securities were unsecured.

- (ii) The breakdown between short-term and long-term borrowings of the Group as at 30 June 2010 were as follows:

	RM'000
Due within 12 months	289,232
Due after 12 months	<u>90,001</u>
	<u>379,233</u>

- (iii) The abovementioned borrowings and debt securities were all denominated in Malaysian Ringgit.

B10 Derivative financial instruments

The Group's hire-purchase/leasing subsidiary has entered into the following interest rate swap contracts:

- (i) Forward interest rate swap contract for 2 years with a financial institution for a notional amount of RM10 million that will take effect from 15 September 2010 with payment of fixed rate contracted at

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

3.55% per annum against the receipt of floating rate which is based on the 3 months KLIBOR on the effective date and subsequent re-set date; and

- (ii) Interest rate swap contract for 3 years with a banking subsidiary of the Group's ultimate holding company for a notional amount of RM10 million that took effect from 30 November 2009 with payment of fixed rate of 3.06% per annum against the receipt of prevailing floating rate on re-set date, which is based on the 3 months KLIBOR.

The purpose of entering into the interest rate swap contracts is to manage interest rate risk by mitigating the effect of prospective interest rate movements which could reduce its future net interest income. The interest rate swap contracts entitled the Group's hire-purchase/leasing subsidiary to receive interest at floating rates on the notional principal amount and pay interest at fixed rates on the same amount to the counterparty. The differences between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amount are to be exchanged on a quarterly basis.

The outstanding derivatives as at 30 June 2010 are shown below:

<u>Type of Derivatives</u>	<u>Contract/ Notional Value (RM'000)</u>	<u>Fair Value (Payable)/ Receivable (RM'000)</u>
i. Forward interest rate swap		
- Less than 1 year	-	-
- 1 year to 3 years	10,000	(69)
- More than 3 years	-	-
ii. Interest rate swap		
- Less than 1 year	-	-
- 1 year to 3 years	10,000	25
- More than 3 years	-	-

The interest rate swap contracts are subject to the following market risk, credit risk and liquidity risk and the policies for mitigating or controlling the risks are set out below:

Market Risk

Market risk is the risk that the value of a financial instrument will decrease as a result of economic changes that may impact market prices. Exposure to market risk may be reduced through matching the hedging instrument with an underlying asset. The market risk posed by the Group's interest rate swap contracts is not significant.

Credit Risk

Credit risk arises from the possibility that the counterparty to the interest rate swap contract may be unable to meet the terms of a contract in which the Group's hire-purchase/leasing subsidiary has a gain position. The associated risks are minimal as the interest rate swap contracts were entered into with two creditworthy financial institutions.

Liquidity Risk

Liquidity risk is the financial risk due to uncertain liquidity faced by the hire-purchase/leasing subsidiary in meeting its contractual and financial obligations to the counterparty at all times. The obligations to the counterparty are the interest amounts calculated upfront on a quarterly basis between the fixed rate contracted against the floating rate which is based on the 3 months KLIBOR with reference to the agreed notional principal amount and settled on a quarterly basis. The liquidity risk is minimal as the obligations to the counterparties are small and can be met through cash flow generated from operating activities.

Policies in place for mitigating or controlling the risks associated with the derivatives

The Group's hire-purchase/leasing subsidiary, as a result of the use of derivative instruments, is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty risks, the hire-purchase/leasing subsidiary only contracts with major financial institutions with good credit ratings and strong financial standing. The hire-purchase/leasing subsidiary also seeks prior approval from the Executive Committee ("EXCO") of its Board of Directors ("the Board") before entering into any interest rate swap ("IRS") contracts. The exposure to the risks associated with the derivatives is limited to the net settlement of interest amounts calculated by reference to the notional principal amount granted by each financial institution.

The Board of the hire-purchase/leasing subsidiary has the overall responsibility of determining the type and level of business risks that it undertakes in achieving its corporate objectives. The Board has delegated its authority to monitor and managing risk exposures to the EXCO. Any policy decisions and proposals on risk exposures are recommended by the EXCO for review and approval by the Board.

Cash Requirements

The above instruments are executed with creditworthy financial institutions in Malaysia and as such credit and counterparty risks are minimal. There are no transaction costs at the inception of these contracts. The hire-purchase and leasing subsidiary will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

Related accounting policies

Interest rate swap contracts are recognised at fair value on the statement of financial position and are classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the income statement.

B11 Gains / Losses arising from Fair Value Changes of Financial Liabilities

- (a) Save as disclosed below, there was no other gain or loss arising from fair value changes of the Group's financial liabilities:

	Current Quarter Ended 30-Jun-10 RM'000	Current Financial Year-to-Date 30-Jun-10 RM'000
Loss arising from fair value changes in a derivative payable	49	40

- (b) The above loss arose from the fair value change in a forward interest rate swap contract entered between the Group's hire-purchase/leasing subsidiary and a financial institution. The hire-purchase/leasing subsidiary pays fixed rate and receives floating rate on this forward interest rate swap contract. A loss on fair value changes was recorded for the current quarter and in the current financial year-to-date due to the unfavourable movement of the floating rate on the forward interest rate swap.
- (c) The derivative payable is based on the difference between the present value of the fixed rate payable and floating rate receivable computed on the notional amount over the remaining tenor of the forward interest rate swap. The fair value of this derivative contract is the estimated amount that the Group's hire-purchase/leasing subsidiary would expect to pay in the event of termination of the outstanding position as at the reporting date.

B12 Changes in material litigation

The Group does not have any litigation which would materially and adversely affect the financial position of the Group to date.

B13 Dividends

No interim dividend has been proposed or declared for the current quarter and current financial year-to-date.

Please refer to Note A6 for the final dividend in respect of the financial year end 31 December 2009 which was paid by the Company on 15 June 2010.

B14 Earnings per share (“EPS”)

Basic EPS are calculated by dividing profit for the period attributable to ordinary equity holders of the parent company by the number of shares in issue during the period.

	<u>2010</u> Current Qtr Ended 30 Jun	<u>2009</u> Comparative Qtr Ended 30 Jun	<u>2010</u> 6 Months Cumulative 30 Jun	<u>2009</u> 6 Months Cumulative 30 Jun
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	9,722	6,992	14,352	15,436
Number of ordinary shares in issue ('000)	170,994	170,994	170,994	170,994
Basic EPS (sen)	5.69	4.09	8.39	9.03

The Group has no potential dilutive ordinary shares in issue as at the end of the reporting period and therefore diluted earnings per share has not been presented.

B15 Qualification of financial statements

The auditors' report on the annual financial statements for the year ended 31 December 2009 did not contain any qualification.

BY ORDER OF THE BOARD
TAN CHENG HOON (MIA 7231)
CHONG YOK HUA (MAICSA 0861045)
COMPANY SECRETARIES

25 AUGUST 2010