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

Audited Condensed Consolidated Statement of Financial Position (Amended)
As at 31 December 2010

	As at 31 Dec 2010 RM'000	As at 31 Dec 2009 RM'000
ASSETS		
Property and equipment	97,619	101,828
Investment properties	-	767
Intangible assets	414	11,322
Associated company	1,573	1,584
Available-for-sale securities	167,496	359,384
Trading securities	16,664	-
Reinsurance assets	-	57,038
Deferred tax assets	4,200	3,199
Tax recoverable	253	4,124
Loans and receivables	544,258	354,648
Trade and other receivables	210,779	27,388
Deposits with financial institutions	79,389	127,802
Cash and bank balances	5,470	4,974
Total Assets	1,128,115	1,054,058
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	170,994	170,994
Fair value reserves	2,261	(1,297)
Retained profits	481,378	398,824
	654,633	568,521
Minority interests	3,676	3,598
Total Equity	658,309	572,119
Liabilities		
Insurance contract liabilities	-	166,690
Deferred tax liabilities	6,298	6,670
Borrowings	434,165	273,109
Trade and other payables	26,447	32,345
Tax payable	2,896	3,125
Total Liabilities	469,806	481,939
Total Equity and Liabilities	1,128,115	1,054,058

(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)

Audited Condensed Consolidated Income Statement
For the year ended 31 December 2010

	2010 Current qtr ended 31 Dec RM'000	2009 Comparative qtr ended 31 Dec RM'000	2010 12 months Cumulative to 31 Dec RM'000	2009 12 months Cumulative to 31 Dec RM'000
Continuing Operations				
Revenue	28,755	21,260	96,666	69,397
Other operating gains	2,554	(2,957)	4,984	6,806
Net fees and commissions	(5,590)	(4,481)	(17,714)	(11,401)
Operating expenses	(12,770)	(4,536)	(43,793)	(35,353)
Finance costs	(4,031)	(1,983)	(12,725)	(6,561)
Share of results of an associated company	86	105	397	357
Profit before taxation from continuing operations	9,004	7,408	27,815	23,245
Taxation	(1,461)	(1,017)	(5,068)	(3,920)
Profit for the period/year from continuing operations, net of tax	7,543	6,391	22,747	19,325
Discontinued operations of insurance subsidiary (Note)				
Profit/(loss) from discontinued operations, net of tax	(717)	(91)	7,138	6,705
Gain on disposal of insurance subsidiary (net)	72,341	-	72,341	-
Net profit for the period/year	79,167	6,300	102,226	26,030
Profit attributable to:				
Owners of the parent	79,045	6,124	101,791	25,624
Minority interests	122	176	435	406
	79,167	6,300	102,226	26,030
EPS - Basic (sen)				
- continuing operations	4.34	3.63	13.05	11.07
- discontinued operations	41.89	(0.05)	46.48	3.92
	46.23	3.58	59.53	14.99

(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)

Note: Further details on the discontinued operations of the insurance subsidiary are disclosed in Notes A1 (b) and A1 (c)

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

Audited Condensed Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	2010 Current qtr ended 31 Dec RM'000	2009 Comparative qtr ended 31 Dec RM'000	2010 12 months Cumulative to 31 Dec RM'000	2009 12 months Cumulative to 31 Dec RM'000
Net profit for the period/year	79,167	6,300	102,226	26,030
Available-for-sale securities				
- Unrealised gains/(losses), before tax	(309)	(14)	7,190	4,727
- Reclassification of (gains)/losses to income statement on disposal, before tax	(930)	(1,286)	(1,582)	(808)
- Tax on fair value movements	137	51	(588)	92
- Share of other comprehensive income of an associated company	33	32	35	115
Other comprehensive income/(loss), net of tax	(1,069)	(1,217)	5,055	4,126
Total comprehensive income for the period/year	78,098	5,083	107,281	30,156
Total comprehensive income attributable to:				
Owners of the parent	77,976	4,906	106,843	29,691
Minority interests	122	177	438	465
	78,098	5,083	107,281	30,156

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

Audited Condensed Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	← Attributable to Owners of the Parent →				Minority Interests	Total Equity
		Non-distributable	Distributable			
	Share Capital	Fair Value Reserves	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended						
31 December 2009						
At 1 January 2009	170,994	(5,364)	386,025	551,655	3,358	555,013
Total comprehensive income for the year	-	4,067	25,624	29,691	465	30,156
Transactions with owners:						
Dividends paid	-	-	(12,825)	(12,825)	(225)	(13,050)
At 31 December 2009	**170,994**	**(1,297)**	**398,824**	**568,521**	**3,598**	**572,119**
12 months ended						
31 December 2010						
At 1 January 2010	170,994	(1,297)	398,824	568,521	3,598	572,119
Total comprehensive income for the year	-	5,052	101,791	106,843	438	107,281
Transactions with owners:						
Dividends paid	-	-	(19,237)	(19,237)	(360)	(19,597)
Disposal of insurance subsidiary	-	(1,494)	-	(1,494)	-	(1,494)
At 31 December 2010	**170,994**	**2,261**	**481,378**	**654,633**	**3,676**	**658,309**

(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)

Audited Condensed Consolidated Statement of Cash Flows (Amended)
For the year ended 31 December 2010

	2010 RM'000		2009 RM'000
Profit before taxation			
- continuing operations	27,815		23,245
- discontinued operations	76,132		8,189
Adjustment for:			
Non-cash items	(76,776)		(11,699)
Operating profit before changes in working capital	27,171		19,735
Changes in working capital			
Net disposal/(acquisition) of investments	37,132		(49,039)
Increase in loans, trade and other receivables	(220,613)		(94,499)
Increase in trade and other payables	41,951		4,144
Deposits with financial institutions pledged as security for credit facilities	(1,845)		-
Interest and net dividends received	19,076		18,086
Interest and commitment fees paid	(11,990)		(6,222)
Income tax paid	(7,437)		(7,519)
Income tax refund received	2,832		-
Net cash flows used in operating activities	(113,723)		(115,314)
Investing activities:			
Deposit received for disposal of insurance subsidiary	20,000		-
Reversal of cash and cash equivalents on disposal of insurance subsidiary	(96,756)		-
Net (acquisition)/disposal of investments	(291)		5,912
Interest and net dividends received	940		714
Net purchase of property and equipment and intangible assets	(1,391)		(1,480)
Net cash flows (used in)/generated from investing activities	(77,498)		5,146
Financing activities:			
Dividends paid	(19,597)		(13,050)
Borrowings and debt securities	161,504		110,000
Net cash flows generated from financing activities	141,907		96,950
Net change in cash and cash equivalents	(49,314)		(13,218)
Cash and cash equivalents at beginning of year	131,667		144,885
Cash and cash equivalents at end of year	82,353		131,667
Cash and cash equivalents comprise:			
Deposits with financial institutions	77,544	*	127,802
Cash and bank balances	5,470		4,974
Bank overdrafts	(661)	#	(1,109)
	82,353		131,667

As disclosed in Note B9 of the explanatory notes.

* Excludes deposits with financial institutions pledged as security for credit facilities obtained by subsidiaries.

(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(a) 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 year 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)

The impact of the adoption of new FRSs and amendments to FRSs on the Group effective 1 January 2010 is set out below:

(i) FRS 4 Insurance Contracts

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.

Bank Negara Malaysia ("BNM") had in July 2010 issued Guidelines on Financial Reporting for Insurers in order to bring financial reporting for insurers in line with the requirements of FRSs issued by MASB. For the purpose of complying with paragraph 58 of FRS 139 and paragraph 20(a) of FRS 4, objective evidence of impairment is deemed to exist where the principal or interest/profit or both for loans/receivables that are individually assessed for impairment, is past due for more than 90 days or 3 months. Previously, the requirement by BNM was for insurers to make full provision for outstanding premiums including agents, brokers and reinsurers balances in arrears for more than 30 days for motor class and 6 months for other classes of insurance from the date on which they become receivable.

The effects of the adoption of FRS 4 on the comparative statement of financial poistion for 2009 are summarised as follows:

Condensed Consolidated Statement of Financial Position as at 31 December 2009 (RM'000)	**As Previously stated A**	**Reclassification B**	**As Restated A + B**
Assets			
Reinsurance assets	-	57,038	57,038
Trade and other receivables	27,034	354	27,388
Equity and Liabilities			
Insurance contract liabilities			
- Claim liabilities	66,019	35,856	101,875
- Premium liabilities	43,633	21,182	64,815
	109,652	57,038	166,690
Trade and other payables	31,991	354	32,345

(ii) FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve on the level of disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the year ended 31 December 2010.

(iii) FRS 8 Operating Segments

In accordance with FRS 8, segment information need 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 of the Company. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. FRS 8 does not have any impact on the financial position and results of the Group.

(iv) FRS 101 Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes presented as a single line. The Standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital risk. The revised FRS 101 was adopted retrospectively by the Group.

(v) 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.

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 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments 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
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS131, FRS 132, FRS 134, FRS 139 and Amendments to IC Interpretation 13	Improvements to FRSs (2010)	1 January 2011
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 January 2012
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
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (revised in 2010)	1 July 2010
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011

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. Improvements to FRSs (2010) will be relevant to disclosures of the Group financial statements. The revised FRS 1 and FRS 124, other amendments to FRSs, the IC interpretations and amendments to IC interpretations are not expected to have any significant impact on the financial statements of the Group.

A1(b) Profit from discontinued operations, net of tax

The Group recognised the sale of its 100% equity interest in its insurance subsidiary, The Pacific Insurance Berhad in the current financial year.

The financial results of the discontinued insurance operations for the year ended 31 December 2010 are as follows:-

	Current Quarter Ended 31-Dec-10 RM'000	**Current Financial Year Ended 31-Dec-10 RM'000**
Revenue	51,105	170,320
Reinsurance	(19,733)	(51,542)
Net change in insurance contract liabilities	(5,596)	(10,786)
Other operating gains	548	2,130
	26,324	110,122
Net claims paid	(15,038)	(63,517)
Net fees and commissions	(2,496)	(12,706)
Operating expenses	(10,844)	(30,108)
(Loss)/Profit before taxation	(2,054)	3,791
Taxation	1,336	3,347
(Loss)/Profit after taxation	(717)	7,138

A1(c) Gain on disposal of insurance subsidiary

The Group's net gain on disposal of the insurance subsidiary for current financial year is as follows:-

	RM'000
Expected sale consideration for disposal of insurance subsidiary	216,484
Less: Carrying value of net assets for disposed subsidiary	(135,396)
Add: Realisation of fair value reserves on disposal of subsidiary	1,495
Gain on disposal of insurance subsidiary (gross)	82,583
Less: Impairment loss on goodwill	(10,242)
Gain on disposal of insurance subsidiary (net)	72,341

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 that were unusual because of their nature, size or incidence, other than the net gain on disposal of insurance subsidiary in the current financial year (refer Note A1 (c)).

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

There were no significant changes in estimates of amounts reported in the prior interim periods of the current financial year or in prior financial years that have had a material effect on the current quarter ended 31 December 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 31 Dec 2010 RM'million**	**Current Financial Year ended 31 Dec 2010 RM'million**
At the beginning of period/year	80	75
Issued during the period/year	135	525
Redemption during the period/year	(145)	(530)
At the end of year	70	70

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.

A7 Segment information

The segment information for the Group's business segments for the current financial year are as follows:-

2010	Hire-purchase, leasing and other related financing services RM'000	Management of unit trust funds and private investment mandates RM'000	Property investment and management RM'000	Investment holding and management services RM'000	Underwriting of general insurance (Discontinued) RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
Revenue							
External revenue	39,412	39,764	8,360	9,657	170,320	(170,847)	96,666
Inter-segment revenue	-	130	1,880	8,540	-	(10,550)	-
Revenue from continuing operations	39,412	39,894	10,240	18,197	170,320	(181,397)	96,666
Results							
Continuing operations:							
Segment profit before taxation	14,424	3,595	1,031	11,845	-	(3,477)	27,418
Share of results of associated company	-	-	-	-	-	397	397
Profit before taxation	14,424	3,595	1,031	11,845	-	(3,080)	27,815
Taxation	(3,684)	(742)	(635)	(771)	-	764	(5,068)
Profit after taxation	10,740	2,853	396	11,074	-	(2,316)	22,747
Discontinued operations:							
Profit from discontinued operations, net of tax	-	-	-	-	7,138	-	7,138
Gain on disposal of insurance subsidiary (net)	-	-	-	80,265	-	(7,924)	72,341
Net profit for the year	10,740	2,853	396	91,339	7,138	(10,240)	102,226
Assets and Liabilities							
Segment assets	590,043	37,609	96,862	736,196	-	(334,168)	1,126,542
Investment in an associated company							1,573
Consolidated total assets							1,128,115
Consolidated total liabilities	443,180	14,772	77,390	3,233	-	(68,769)	469,806

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 other than the provision of corporate guarantees of RM85 million by the Company to secure additional bank facilities of the hire-purchase and leasing subsidiary in January 2011.

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 and current financial year other than the recognition of the disposal of 100% equity interest in the insurance subsidiary, The Pacific Insurance Berhad in the current financial year.

A10 Changes in contingent liabilities and contingent assets

The contingent liabilities of the Group as at 31 December 2010 were as follows:-

	Group			Company		
	As at 31 Dec 2010 RM'000	As at 31 Dec 2009 RM'000	Decrease RM'000	As at 31 Dec 2010 RM'000	As at 31 Dec 2009 RM'000	Increase RM'000
Corporate guarantees given by the Company to financiers to secure credit facilities of subsidiaries	-	-	-	548,000	344,000	204,000
Import letters of credit undertaken by hire-purchase/leasing subsidiary on behalf of clients	2,328	11,111	(8,783)	-	-	-
Total	2,328	11,111	(8,783)	548,000	344,000	204,000

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 PBT for continuing operations in the current quarter ("4Q2010") increased by RM1.59 million to RM9.0 million from RM7.41 million in the fourth quarter of 2009 ("4Q2009"). This was mainly attributable to the higher profit contribution by the hire-purchase and leasing subsidiary by RM2.20 million in 4Q2010.

However, the Group incurred higher net loss from discontinued operations by RM0.63 million in 4Q2010 as a result of higher underwriting loss by the insurance subsidiary in 4Q2010.

The Group's PBT for continuing operations in the current financial year ended 31 December 2010 ("FY 2010") increased by RM4.57 million to RM27.82 million from RM23.25 million recorded in the previous year ("FY 2009"). This was mainly due to higher profit contribution by the hire-purchase and leasing subsidiary by RM7.32 million in FY 2010. However, this was moderated by lower trading gain on the Group's equities by RM2.41 million in FY 2010 in line with the performance of the equity market during the period under review.

B2 Material change in the current quarter compared to the immediate preceding quarter

The Group's PBT for continuing operations increased by RM2.27 million to RM9.0 million in 4Q2010 from RM6.73 million in the immediate preceding quarter ("3Q2010") mainly due to higher distribution income and net realised gain for the Group's investment in unit trusts/wholesale bond funds by RM1.80 million and RM0.72 million respectively in 4Q2010.

However, the Group incurred net loss from discontinued operations of RM0.72 million in 4Q2010 as opposed to net profit of RM3.24 million in 3Q2010 mainly due to the reversal from an underwriting profit of RM0.83 million in 3Q2010 to an underwriting loss of RM5.71 million in 4Q2010.

B3 Prospects

The Group believes that economic prospects and the business environment will remain favourable in 2011, underpinned mainly by the implementation of various government stimulus programmes/initiatives and improved commodity prices. This will benefit the Group's investment and lending businesses notwithstanding the risks posed by expected volatile capital flows and inflation.

B4 Profit forecast and profit guarantee

Not applicable.

B5 Taxation

Major components of tax expense

	Current Quarter Ended 31 Dec 2010 RM'000	Current Financial Year Ended 31 Dec 2010 RM'000
Income tax:		
Malaysian income tax – current year's provision	1,891	6,477
Over provision in respect of prior years	(70)	(62)
	1,821	6,415
Deferred tax relating to origination and reversal of temporary differences	(361)	(1,347)
Income tax attributable to continuing operations	1,460	5,068
Income tax attributable to discontinued operations	(1,336)	(3,347)
Tax expense recognised in income statement	**124**	**1,721**

Reconciliation of tax expense with profit before taxation:

	Current Quarter Ended 31 Dec 2010 RM'000	Current Financial Year Ended 31 Dec 2010 RM'000
Profit before tax:		
Continuing operations	9,004	27,815
Discontinued operations	70,287	76,132
	79,291	103,947
Taxation at **25%**	19,822	25,986
Tax effect arising from:-		
Non-allowable expenses	2,873	3,602
Exempt income	(22,644)	(25,325)
Under/(over) provision of income tax in prior years	40	(2,488)
Under provision of deferred tax in a prior year	54	45
Share of results of an associated company	(21)	(99)
Tax expense for the period/year	**124**	**1,721**
Effective tax rate	**0.04%**	**4.01%**

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 were as follows:-

Net Gains from Disposals:

	Current Quarter Ended 31 Dec 2010 RM'000	Current Financial Year Ended 31 Dec 2010 RM'000
Fixed Income Securities (Unquoted)	-	4
Investment Property	-	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 were as follows:-

Purchase & Disposal of Quoted Securities RM'000	Current Quarter Ended 31 Dec 2010	Current Financial Year Ended 31 Dec 2010
Purchase cost	3,014	21,181
Sale proceeds	3,075	6,992
Net gain from disposal	434	725

As at 31 Dec 2010 RM'000	Cost	Carrying Value	Market Value
Quoted securities	14,914	16,664	16,664

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%. Based on the Company's Record of Depositors as at 30 November 2010, the public shareholding spread of PacificMas was 20.04%. Accordingly, PacificMas remained not compliant with the Public Shareholding Spread.

On 20 December 2010, PacificMas received approval from Bursa Securities for a further extension of three (3) months from 26 December 2010 to 25 March 2011 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 and that OCBC Capital would require additional time to implement the rectification plan in view of the disposal of the insurance business by PacificMas.

(b) Disposal of the Group's insurance subsidiary ("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 11 November 2010, OCBC Capital notified PacificMas that BNM had approved a further extension of time of six (6) months from 17 October 2010 for OCBC to comply with the Approval Conditions. BNM had earlier approved an extension of time of one (1) year from 18 October 2009 for OCBC to comply with the Approval Conditions. On 16 November 2010, PacificMas received approval from the Minister of Finance through BNM to dispose its 100% equity interest in PIB to Fairfax Asia Limited ("Fairfax Asia").

Subsequently, on 3 December 2010, PacificMas entered into a Shares Sale Agreement ("SSA") to dispose of its 100% equity interest in PIB to Fairfax Asia. The SSA became unconditional on 30 December 2010 upon approval of the disposal by the shareholders of PacificMas. The expected consideration for the disposal of PIB is RM201 million plus the incremental net tangible assets ("NTA") of PIB from 31 December 2008 until 31 December 2010 which amounted to RM216.48 million. Therefore, any change in NTA of PIB from 1 January 2011 onwards will not accrue to PacificMas. As such, PacificMas has recognised the disposal of PIB in the financial year ended 31 December 2010 for consolidation purpose.

On 27 January 2011, PacificMas entered into a variation letter with Fairfax Asia ("Variation Letter") mainly to set out the specific timeline for completion of the SSA. As a result of the Variation Letter, the disposal is expected to be completed by April 2011.

B9 Borrowings and debt securities

(i) As at 31 December 2010, the Group's outstanding borrowings and debt securities payable were as follows:-

	RM'000
Bank borrowings:	
Bank overdrafts	661
Revolving credits	273,500
Private debt securities	70,000
Recourse obligations on receivables sold to Cagamas Berhad	90,004
	434,165

The Group's bank borrowings and recourse obligations on receivables sold to Cagamas Berhad 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 31 December 2010 were as follows:

	RM'000
Due within 12 months	344,161
Due after 12 months	90,004
	434,165

(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 was entered on 15 September 2009 for a notional amount of RM10 million that took effect from 15 September 2010 with payment of fixed rate contracted at 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 31 December 2010 are shown below:

	Contract/	Fair Value	
Type of Derivatives	**Notional Value (RM'000)**	**Payable (RM'000)**	**Receivable (RM'000)**
Interest rate swaps			
- Less than 1 year	-	-	
- 1 year to 3 years	20,000	42	57
- More than 3 years	-	-	

The interest rate swap contracts are subject to the certain risks and the policies for mitigating or controlling such 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 arises from the potential failure of the hire-purchase/leasing subsidiary to meet its contractual and financial obligations to the counterparties when required. 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 are 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 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 manage 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.

<u>Cash Requirements</u>

The above instruments are executed with credit-worthy 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/leasing subsidiary will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

<u>Related accounting policies</u>

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 31-Dec-10 RM'000	**Current Financial Year Ended 31-Dec-10 RM'000**
Gain/(loss) arising from fair value changes in a derivative payable	31	(13)

(b) The above loss arose from the fair value change in an 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 interest rate swap contract. A gain on fair value changes was recorded for the current quarter while a loss on fair value changes was recorded in the current financial year which was due to the unfavourable movement of the floating rate on the 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 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

On 25 October 2010, the Group's hire-purchase/leasing subsidiary, Pac Lease Sdn Bhd ("Pac Lease" or "Plaintiff") obtained the High Court's judgement against Kenseisha (M) Sdn Bhd ("KMSB" or "Defendant"), a hirer under a Hire Purchase Agreement (Non-Act) with Pac Lease for the recovery of the outstanding principal and interest of RM1.07 million ("Outstanding Sum") together with judgment interest effective from 13 March 2010 to date of settlement.

Pac Lease has made full provision for Outstanding Sum in the current financial year. Consequently, the Group's results for the financial year ended 31 December 2010 were impacted by the specific allowance for this impaired loan.

On 11 November 2010, KMSB filed an appeal at the Court of Appeal to set aside the judgment and hearing of the appeal has not been fixed. Based on the grounds decided by the High Court, Pac Lease's lawyers are of the opinion that the chances are fairly good at the Court of Appeal in favour of Pac Lease.

B13 Dividends

In the circular to shareholders dated 15 December 2010, the Board of Directors proposed to distribute the proceeds arising from the disposal of the insurance subsidiary ("Disposal") to shareholders via special dividend except for approximately RM3.50 million which will be utilised for expenses relating to the Disposal and for working capital. As the Disposal is expected to be completed by April 2011, the proposed special interim dividend is expected to be declared in the second quarter of 2011. With the proposed special interim dividend, the Board of Directors decided not to declare any final dividend in respect of the financial year ended 31 December 2010.

Please refer to Note A6 for the final dividend in respect of the financial year ended 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.

	2010 Current Qtr Ended 31 Dec	2009 Comparative Qtr Ended 31 Dec	2010 12 Months Cumulative 31 Dec	2009 12 Months Cumulative 31 Dec
Profit/(Loss) for the period attributable to owners of the parent (RM'000)	79,045	6,124	101,791	25,624
- From continuing operations (RM'000)	7,421	6,215	22,312	18,919
- From discontinued operations (RM'000)	71,624	(91)	79,479	6,705
Number of ordinary shares in issue ('000)	170,994	170,994	170,994	170,994
Basic EPS (sen)	46.23	3.58	59.53	14.99
- From continuing operations (sen)	4.34	3.63	13.05	11.07
- From discontinued operations (sen)	41.89	(0.05)	46.48	3.92

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

B15 Disclosure of Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities) issued a directive to all listed issuers pursuant to paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required in the quarterly report and annual audited accounts.

The breakdown of the retained profits of the Group as at 30 September 2010 and 31 December 2010 into realised and unrealised profits are as follows:

	As at 30 Sep 2010 RM'000	As at 31 Dec 2010 RM'000
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	436,225	523,161
- Unrealised	(1,360)	(574)
	434,865	522,587
Share of retained profits from associate company:		
- Realised	2,992	1,250
- Unrealised	(24)	(6)
	437,833	523,831
Less: Consolidation adjustments	(35,500)	(42,453)
Total Group retained profits as per consolidated statement of financial position	**402,333**	**481,378**

B16 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

24 February 2011