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

## Condensed Consolidated Statement of Financial Position
## As at 31 March 2011

| | As at 31 Mar 2011 RM'000 | As at 31 Dec 2010 RM'000 |
|---|---|---|
| **ASSETS** | | |
| Property and equipment | 96,925 | 97,619 |
| Intangible assets | 451 | 414 |
| Associated company | 1,675 | 1,573 |
| Available-for-sale securities | 363,741 | 167,496 |
| Trading securities | 17,198 | 16,664 |
| Deferred tax assets | 3,804 | 4,200 |
| Tax recoverable | 984 | 253 |
| Loans and receivables | 607,475 | 544,258 |
| Trade and other receivables | 14,545 | 210,779 |
| Deposits with financial institutions | 60,491 | 79,389 |
| Cash and bank balances | 6,021 | 5,470 |
| | 1,173,310 | 1,128,115 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | 170,994 | 170,994 |
| Fair value reserves | 2,575 | 2,261 |
| Retained profits | 487,380 | 481,378 |
| | 660,949 | 654,633 |
| **Non-controlling interests** | 3,781 | 3,676 |
| **Total Equity** | 664,730 | 658,309 |
| **Liabilities** | | |
| Deferred tax liabilities | 6,394 | 6,298 |
| Borrowings | 465,965 | 434,165 |
| Trade and other payables | 33,050 | 26,447 |
| Tax payable | 3,171 | 2,896 |
| | 508,580 | 469,806 |
| **Total Equity and Liabilities** | 1,173,310 | 1,128,115 |

**(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 31 March 2011**

| | 2011 Current qtr ended 31 Mar RM'000 | 2010 Comparative qtr ended 31 Mar RM'000 | 2011 3 months Cumulative to 31 Mar RM'000 | 2010 3 months Cumulative to 31 Mar RM'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 27,399 | 21,166 | 27,399 | 21,166 |
| Other operating gains | 1,238 | 727 | 1,238 | 727 |
| Net fees and commissions | (5,172) | (3,558) | (5,172) | (3,558) |
| Operating expenses | (11,751) | (10,201) | (11,751) | (10,201) |
| Finance costs | (4,073) | (2,250) | (4,073) | (2,250) |
| Share of results of an associated company | 103 | 108 | 103 | 108 |
| Profit before taxation | 7,744 | 5,992 | 7,744 | 5,992 |
| Taxation | (1,638) | (1,131) | (1,638) | (1,131) |
| Profit for the period from continuing operations, net of tax | 6,106 | 4,861 | 6,106 | 4,861 |
| **Discontinued operations of insurance subsidiary** | | | | |
| Loss from discontinued operations, net of tax | - | (157) | - | (157) |
| Net profit for the period | 6,106 | 4,704 | 6,106 | 4,704 |
| Profit attributable to: | | | | |
| Owners of the parent | 6,002 | 4,630 | 6,002 | 4,630 |
| Non-controlling interests | 104 | 74 | 104 | 74 |
| | 6,106 | 4,704 | 6,106 | 4,704 |
| EPS - Basic (sen) | | | | |
| - continuing operations | 3.51 | 2.80 | 3.51 | 2.80 |
| - discontinued operations | - | (0.09) | - | (0.09) |
| | 3.51 | 2.71 | 3.51 | 2.71 |

**(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 31 March 2011**

| | 2011 Current qtr ended 31 Mar RM'000 | 2010 Comparative qtr ended 31 Mar RM'000 | 2011 3 months Cumulative to 31 Mar RM'000 | 2010 3 months Cumulative to 31 Mar RM'000 |
|---|---|---|---|---|
| Net profit for the period | 6,106 | 4,704 | 6,106 | 4,704 |
| Available-for-sale securities: | | | | |
| - Unrealised gains, before tax | 696 | 1,538 | 696 | 1,538 |
| - Reclassification of gains to income statement on disposal, before tax | (304) | (56) | (304) | (56) |
| - Tax on fair value movements | (76) | (138) | (76) | (138) |
| - Share of other comprehensive loss of an associated company | (1) | (6) | (1) | (6) |
| Other comprehensive income, net of tax | 315 | 1,338 | 315 | 1,338 |
| Total comprehensive income for the period | 6,421 | 6,042 | 6,421 | 6,042 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 6,316 | 5,969 | 6,316 | 5,969 |
| Non-controlling interests | 105 | 73 | 105 | 73 |
| | 6,421 | 6,042 | 6,421 | 6,042 |

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

## Condensed Consolidated Statement of Changes in Equity
## For the period ended 31 March 2011

| | ← Attributable to Owners of the Parent → | | | | Non-controlling 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 |
| **3 months ended** | | | | | | |
| **31 March 2010** | | | | | | |
| **At 1 January 2010** | 170,994 | (1,297) | 398,824 | 568,521 | 3,598 | 572,119 |
| Total comprehensive income for the period | - | 1,339 | 4,630 | 5,969 | 73 | 6,042 |
| **At 31 March 2010** | **170,994** | **42** | **403,454** | **574,490** | **3,671** | **578,161** |
| **3 months ended** | | | | | | |
| **31 March 2011** | | | | | | |
| **At 1 January 2011** | 170,994 | 2,261 | 481,378 | 654,633 | 3,676 | 658,309 |
| Total comprehensive income for the period | - | 314 | 6,002 | 6,316 | 105 | 6,421 |
| **At 31 March 2011** | **170,994** | **2,575** | **487,380** | **660,949** | **3,781** | **664,730** |

**(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 31 March 2011**

| | 2011<br>3 months<br>ended<br>31 Mar<br>RM'000 | 2010<br>3 months<br>ended<br>31 Mar<br>RM'000 |
|---|---|---|
| Profit before taxation | | |
| - continuing operations | 7,744 | 5,992 |
| - discontinued operations | - | (792) |
| Adjustment for: | | |
| Non-cash items | 2,951 | (1,376) |
| Operating profit before changes in working capital | 10,695 | 3,824 |
| Changes in working capital | | |
| Net acquisition of investments | (195,571) | (7,573) |
| Increase in loans, trade and other receivables | (64,546) | (77,035) |
| Increase in trade and other payables | 6,506 | 27,539 |
| Deposits with financial institutions pledged as security for credit facilities | (150) | - |
| Interest and net dividends received | 1,962 | 4,077 |
| Interest and commitment fees paid | (3,863) | (2,011) |
| Income tax paid | (1,678) | (1,851) |
| Net cash flows used in operating activities | (246,645) | (53,030) |
| Investing activities: | | |
| Receipt of remaining sale proceeds for disposal of insurance subsidiary | 196,484 | - |
| Net disposal/(acquisition) of investments | 82 | (737) |
| Interest and net dividends received | 188 | 189 |
| Net purchase of property and equipment and intangible assets | (406) | (262) |
| Net cash flows generated from/(used in) investing activities | 196,348 | (810) |
| Financing activities: | | |
| Borrowings and debt securities | 25,000 | 31,500 |
| Net cash flows generated from financing activities | 25,000 | 31,500 |
| Net change in cash and cash equivalents | (25,297) | (22,340) |
| Cash and cash equivalents at beginning of year | 82,353 | 131,667 |
| Cash and cash equivalents at end of period | 57,056 | 109,327 |
| Cash and cash equivalents comprise: | | |
| Deposits with financial institutions | 58,496 * | 105,634 |
| Cash and bank balances | 6,021 | 8,400 |
| Bank overdrafts | (7,461) # | (4,707) |
| | 57,056 | 109,327 |

* Excludes deposits with financial institutions pledged as security for credit facilities obtained by subsidiaries
\# 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 2010 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 2010. 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 2010.

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 2010, except for the Group's adoption of the following revised FRSs, Amendments to FRSs, Interpretations of the Issues Committee ("IC Interpretations") and Amendments to IC Interpretation issued by the MASB that are mandatory for the financial year beginning 1 January 2011:

**Revised FRSs, Amendments to FRSs, IC Interpretations and Amendments to IC Interpretation**

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations |
| FRS 127 | Consolidated and Separate Financial Statements |
| Amendments to FRSs | Improvements to FRSs (2010) |
| Amendments to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters |
| Amendments to FRS 1 | Additional Exemptions for First-time Adopters |
| Amendments to FRS 2 | Share-based Payment |
| Amendments to FRS 2 | Group Cash-settled Share-based Payment Transactions |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments |
| Amendments to FRS 132 | Financial Instruments: Presentation (relating to classification of Rights Issues) |
| Amendments to FRS 138 | Intangible Assets |
| IC Interpretation 4 | Determining whether an Arrangement contains a Lease |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |
| IC Interpretation 18 | Transfers of Assets from Customers |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives (revised in 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 of the Group. Improvements to FRSs (2010) will impact the disclosures in the Group's financial statements. The revised 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.

As at the date of this interim report, the following revised FRS, IC Interpretations and Amendments to IC Interpretation have been issued by MASB but are not effective yet and have not been adopted by the Group.

| **Revised FRS, IC Interpretations and Amendments to IC Interpretation** | | **Effective for annual financial periods beginning on or after** |
|---|---|---|
| FRS 124 | Related Party Disclosures | 1 January 2012 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate | 1 January 2012 |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Amendments to IC Interpretation 14 | Prepayments of a Minimum Funding Requirement | 1 July 2011 |

The revised FRS 124, IC Interpretations and Amendments to IC Interpretation 14 are not expected to have any significant impact on the financial statements of the Group.

## 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, size or incidence

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 prior financial years

There were no significant changes in estimates of amounts reported in the prior financial years that have had a material effect on the current quarter ended 31 March 2011.

## A5 Issues, repurchases and repayments of debt and equity securities

Save as disclosed below, there were no other issues, repurchases and repayments 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 and Leasing Subsidiary | Current Quarter Ended 31 Mar 2011 RM'million | Current Financial Year-to-Date 31 Mar 2011 RM'million |
|---|---|---|
| At the beginning of period | 70 | 70 |
| Issued during the period | 65 | 65 |
| Redemption during the period | (70) | (70) |
| At the end of period | 65 | 65 |

## A6 Dividends paid

Since the previous financial year ended 31 December 2010, the Company paid a special interim dividend in respect of the financial year ending 31 December 2011 on 26 April 2011 [refer to Note B13(b)] comprising the following:

(i) Franked dividend of RM1.398 per ordinary share of RM1.00 each less 25% income tax (net RM1.0485 per ordinary share) amounting to RM179,286,681; and

(ii) Single tier dividend of RM0.30 per ordinary share (tax exempt) amounting to RM51,298,050.

## A7 Segment information

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

| | 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 | Adjustments and eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **By business segment** | | | | | | |
| **Revenue** | | | | | | |
| External revenue | 12,317 | 10,676 | 2,324 | 2,082 | - | 27,399 |
| Inter-segment revenue | - | 26 | 219 | 30,864 | (31,109) | - |
| Segment revenue | 12,317 | 10,702 | 2,543 | 32,946 | (31,109) | 27,399 |
| **Results** | | | | | | |
| Segment profit before taxation | 4,589 | 857 | 373 | 31,644 | (29,822) | 7,641 |
| Share of results of an associated company | - | - | - | - | 103 | 103 |
| Profit before taxation | 4,589 | 857 | 373 | 31,644 | (29,719) | 7,744 |
| Taxation | (1,300) | (176) | 271 | (7,831) | 7,398 | (1,638) |
| Net profit for the period | 3,289 | 681 | 644 | 23,813 | (22,321) | 6,106 |
| **Assets and Liabilities** | | | | | | |
| Segment assets | 625,801 | 46,081 | 96,596 | 736,360 | (333,203) | 1,171,635 |
| Investment in an associated company | | | | | | 1,675 |
| Total assets | | | | | | 1,173,310 |
| Total liabilities | 475,649 | 22,563 | 76,471 | 1,701 | (67,804) | 508,580 |

## A8 Events after the interim period

There are no significant events after the interim period that have not been reflected in the financial statements for the interim period other than the following:-

(i) The Securities Commission vide its letter dated 20 April 2011, approved a proposal by the Group's wholly-owned hire-purchase and leasing subsidiary, Pac Lease Sdn Bhd, to establish a RM500 million nominal value Commercial Papers/Medium Term Notes Programme ("CP/MTN Programme") for 7 years tenure; and

(ii) Payment of a special interim dividend to shareholders of RM230.58 million on 26 April 2011 [refer to Note B13 (b)].

## A9 The effect of changes in the composition of the Group during the interim period, including business combinations, obtaining or losing control 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 or contingent assets

The contingent liabilities of the Group as at 31 March 2011 were as follows:-

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | As at 31 Mar 2011 RM'000 | As at 31 Dec 2010 RM'000 | Increase RM'000 | As at 31 Mar 2011 RM'000 | As at 31 Dec 2010 RM'000 | Increase RM'000 |
| Corporate guarantees given by the Company to financiers to secure credit facilities of hire-purchase and leasing subsidiary | - | - | - | 733,000 | 548,000 | 185,000 |
| Import letters of credit undertaken by hire-purchase and leasing subsidiary from a banking subsidiary of the ultimate holding company on behalf of clients | 4,001 | 2,328 | 1,673 | - | - | - |
| Total | 4,001 | 2,328 | 1,673 | 733,000 | 548,000 | 185,000 |

## 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 in the current quarter ("1Q2011") increased by RM1.75 million (+29.2%) to RM7.74 million from RM5.99 million in the first quarter of 2010 ("1Q2010"). This was mainly attributable to higher profit contribution by the hire-purchase and leasing subsidiary by RM1.54 million in line with its 48.2% loan growth for 1Q2011.

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

The Group's profit before taxation decreased by RM1.26 million (-14%) to RM7.74 million in 1Q2011 from RM9.0 million in the immediate preceding quarter ("4Q2010") mainly due to lower distribution income for the Group's investment in unit trusts by RM1.66 million and lower trading gain for the Group's investment in equities by RM0.68 million in 1Q2011.

### B3 Prospects

The external environment remains uncertain and challenging amidst the weakening global economy, rising inflationary pressures, the unresolved sovereign debt problems in Europe, the geopolitical conditions in the Middle East and North Africa and the after-effects of the tsunami catastrophe in Japan. Nevertheless, the Malaysian economy is expected to still register favourable growth in 2011, supported by domestic demand, in particular the implementation of various government stimulus programmes/initiatives and improved commodity prices, all of which will benefit the Group's investment and lending businesses. The Group is optimistic of remaining profitable and to deliver satisfactory results in 2011.

### B4 Profit forecast and profit guarantee

Not applicable.

## B5 Taxation

**Major components of tax expense**

| | Current Quarter Ended 31 Mar 2011 RM'000 | Current Financial Year-to-Date 31 Mar 2011 RM'000 |
|---|---|---|
| Income tax: | | |
| Malaysian income tax – current year's provision | 1,680 | 1,680 |
| Over provision in respect of a prior year | (458) | (458) |
| | 1,222 | 1,222 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | (43) | (43) |
| Under provision in respect of a prior year | 459 | 459 |
| **Tax expense recognised in income statement** | **1,638** | **1,638** |

**Reconciliation of tax expense with profit before taxation:**

| | Current Quarter Ended 31 Mar 2011 RM'000 | Current Financial Year-to-Date 31 Mar 2011 RM'000 |
|---|---|---|
| Profit before tax | 7,744 | 7,744 |
| Taxation at **25%** | 1,936 | 1,936 |
| Tax effect arising from:- | | |
| Non-allowable expenses | 295 | 295 |
| Exempt income | (568) | (568) |
| Over provision of income tax in a prior year | (458) | (458) |
| Under provision of deferred tax in a prior year | 459 | 459 |
| Share of results of an associated company | (26) | (26) |
| **Tax expense for the period** | **1,638** | **1,638** |
| **Effective tax rate** | **21.14%** | **21.14%** |

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

There were no sales of unquoted investments or properties in the current quarter.

## B7 Particulars of purchase or disposal of quoted securities

The sale and purchase 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 31 Mar 2011 | Current Financial Year-to-Date 31 Mar 2011 |
|---|---|---|
| Purchase cost | 1,856 | 1,856 |
| Sale proceeds | 1,926 | 1,926 |
| Net gain from disposal | 374 | 374 |

| As at 31 Mar 2011 RM'000 | Cost | Carrying Value | Market Value |
|---|---|---|---|
| Quoted securities | 15,217 | 17,198 | 17,198 |

## B8 Status of corporate proposals

(a) Rectification of Public Shareholding Spread

Following the take-over of PacificMas Berhad ("PacificMas" or "the Company") 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%. In March and April 2011, Koperasi Angkatan Tentera Berhad also disposed of 335,500 ordinary shares in PacificMas, thus reducing its total shareholdings in PacificMas from 16.44% to 16.25%. However, PacificMas remained non-compliant with the Public Shareholding Spread.

On 23 March 2011, PacificMas received approval from Bursa Securities for a further extension of three (3) months from 26 March 2011 to 25 June 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.

(b)(i) Disposal of The Pacific Insurance Berhad ("PIB")

The disposal of PIB to Fairfax Asia Limited ("the Disposal") was completed on 24 March 2011 for a final consideration of RM216.48 million ("Final Disposal Consideration").

(ii) Status of utilisation of proceeds from the Disposal ("Disposal Proceeds")

The Disposal Proceeds were fully utilised for the following purpose:

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation Amount RM'000 | Deviation % |
|---|---|---|---|---|
| 1. Distributed via the special interim dividend on 26 April 2011 (refer to Note A6) | 215,600 | 213,353 | (2,247) | (1.0) |
| 2. Expenses relating to the Disposal | 1,500 | 1,131 | (369) | (24.6) |
| 3. Working capital of the Company | 2,000 | 2,000 | - | - |
| Total | * 219,100 | # 216,484 | (2,616) | (1.2) |

* Estimated sale consideration of RM219.10 million, indicated in the circular to shareholders of the Company dated 15 December 2010 in relation to the Disposal, comprised RM201 million plus the incremental net tangible assets ("NTA") of PIB from 31 December 2008 to 31 October 2010 of RM18.10 million.

# Final Disposal Consideration of RM216.48 million comprised RM201 million plus the incremental audited NTA of PIB from 31 December 2008 to 31 December 2010 of RM15.48 million.

**B9 Borrowings and debt securities**

(i) As at 31 March 2011, the Group's outstanding borrowings and debt securities payable were as follows:-

| | RM'000 |
|---|---|
| Bank borrowings: | |
| Bank overdrafts | 7,461 |
| Revolving credits | 283,500 |
| Private debt securities | 65,000 |
| Recourse obligations on receivables sold to Cagamas Berhad | 110,004 |
| | 465,965 |

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 March 2011 were as follows:

| | RM'000 |
|---|---|
| Due within 12 months | 375,961 |
| Due after 12 months | 90,004 |
| | 465,965 |

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

## B10 Derivative financial instruments

The Group's hire-purchase and 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 and 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 March 2011 are shown below:

| Type of Derivatives | Contract/ Notional Value (RM'000) | Fair Value Payable (RM'000) | Fair Value Receivable (RM'000) |
|---|---|---|---|
| Interest rate swaps | | | |
| - Less than 1 year | - | - | - |
| - 1 year to 3 years | 20,000 | 12 | 75 |
| - More than 3 years | - | - | - |

The interest rate swap contracts are subject to 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 and leasing subsidiary has a gain position. The associated risks are minimal as the interest rate swap contracts were entered into with two credit-worthy financial institutions.

Liquidity Risk

Liquidity risk arises from the potential failure of the hire-purchase and 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 and 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 and leasing subsidiary only contracts with major financial institutions with good credit ratings and strong financial standing. The hire-purchase and 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 and 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.

Cash Requirements

The above instruments were executed with credit-worthy financial institutions in Malaysia and as such, credit and counterparty risks are minimal. There were 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 31-Mar-11 RM'000 | Current Financial Year-to-Date 31-Mar-11 RM'000 |
|---|---|---|
| Gain arising from fair value changes in a derivative payable | 30 | 30 |

(b) The above gain arose from the fair value change in an interest rate swap contract entered between the Group's hire-purchase and leasing subsidiary and a financial institution. The hire-purchase and 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 and current financial year-to-date due to the favourable 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 and 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

Name of borrower: Kenseisha (M) Sdn Bhd ("KMSB" or "Defendant")

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

On 11 November 2010, KMSB filed an appeal at the Court of Appeal to set aside the judgment. On 18 May 2011, the Court of Appeal dismissed the appeal.

Full provision for the outstanding sum was made by Pac Lease in the previous financial year.

## B13 Dividends

(a) A special interim dividend was declared on 25 March 2011 and was paid on 26 April 2011 [refer to Note B13 (b)].

(b) The Company paid a special interim dividend in respect of the financial year ending 31 December 2011 on 26 April 2011 comprising the following:-

(i) Franked dividend of RM1.398 per ordinary share of RM1.00 each less 25% income tax (net RM1.0485 per ordinary share); and

(ii) Single tier dividend of RM0.30 per ordinary share (tax exempt).

## B14 Earnings per share ("EPS")

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

| | **2011** Current Qtr Ended 31 Mar | **2010** Comparative Qtr Ended 31 Mar | **2011** 3 Months Cumulative 31 Mar | **2010** 3 Months Cumulative 31 Mar |
|---|---|---|---|---|
| Profit/(loss) for the period attributable to owners of the parent (RM'000) | 6,002 | 4.630 | 6,002 | 4,630 |
| - From continuing operations (RM'000) | 6,002 | 4,787 | 6,002 | 4,787 |
| - From discontinued operations (RM'000) | - | (157) | - | (157) |
| Number of ordinary shares in issue ('000) | 170,994 | 170,994 | 170,994 | 170,994 |
| Basic EPS (sen) | 3.51 | 2.71 | 3.51 | 2.71 |
| - From continuing operations (sen) | 3.51 | 2.80 | 3.51 | 2.80 |
| - From discontinued operations (sen) | - | (0.09) | - | (0.09) |

The Group has no potential dilutive ordinary shares in issue as at the reporting date and therefore diluted EPS have not been presented.

## B15 Disclosure of Realised and Unrealised Profits/Losses

The breakdowns of the retained profits of the Group as at 31 March 2011 and 31 December 2010 into realised and unrealised profits are as follows:

| | **As at 31 Mar 2011 RM'000** | **As at 31 Dec 2010 RM'000** |
|---|---|---|
| Realised and unrealised profits/(losses) of the Company and its subsidiaries: | | |
| - Realised | 529,136 | 523,161 |
| - Unrealised | (546) | (574) |
| | 528,590 | 522,587 |
| Share of retained profits from associated company: | | |
| - Realised | 1,352 | 1,250 |
| - Unrealised | (6) | (6) |
| | 529,936 | 523,831 |
| Less: Consolidation adjustments | (42,556) | (42,453) |
| **Total retained profits** | **487,380** | **481,378** |

## B16 Qualification of financial statements

The auditors' report on the annual financial statements for the year ended 31 December 2010 did not contain any qualification.

BY ORDER OF THE BOARD

TAN CHENG HOON (MIA 7231)
CHONG YOK HUA (MAICSA 0861045)
COMPANY SECRETARIES

19 May 2011