

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

Condensed Consolidated Statement of Financial Position
As at 30 June 2011

	As at 30 June 2011 RM'000	As at 31 Dec 2010 RM'000
ASSETS		
Property and equipment	96,234	97,619
Intangible assets	483	414
Associated company	-	1,573
Available-for-sale securities	156,224	167,496
Trading securities	17,978	16,664
Deferred tax assets	3,924	4,200
Tax recoverable	1,211	253
Loans and receivables	676,785	544,258
Trade and other receivables	39,142	210,779
Deposits with financial institutions	38,228	79,389
Cash and bank balances	9,196	5,470
	<u>1,039,405</u>	<u>1,128,115</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	170,994	170,994
Fair value reserves	2,394	2,261
Retained profits	266,094	481,378
	<u>439,482</u>	<u>654,633</u>
Non-controlling interests	3,996	3,676
Total Equity	<u>443,478</u>	<u>658,309</u>
Liabilities		
Deferred tax liabilities	6,366	6,298
Borrowings	534,639	434,165
Trade and other payables	50,676	26,447
Tax payable	4,246	2,896
	<u>595,927</u>	<u>469,806</u>
Total Equity and Liabilities	<u>1,039,405</u>	<u>1,128,115</u>

(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 30 June 2011

	<u>2011</u> Current qtr ended 30 Jun RM'000	<u>2010</u> Comparative qtr ended 30 Jun RM'000	<u>2011</u> 6 months Cumulative to 30 Jun RM'000	<u>2010</u> 6 months Cumulative to 30 Jun RM'000
<u>Continuing operations</u>				
Revenue	31,035	24,350	58,434	45,516
Other operating gains/(losses)	1,479	(84)	2,717	643
Net fees and commissions	(5,177)	(4,066)	(10,349)	(7,624)
Operating expenses	(11,640)	(11,287)	(23,391)	(21,488)
Finance costs	(4,696)	(2,920)	(8,769)	(5,170)
Share of results of an associated company	80	96	183	204
Gain on disposal of an associated company	633	-	633	-
Profit before taxation	11,714	6,089	19,458	12,081
Taxation	(2,200)	(1,022)	(3,838)	(2,153)
Profit for the period from continuing operations, net of tax	9,514	5,067	15,620	9,928
<u>Discontinued operations (net of tax)</u>				
Profit from discontinued operations	-	4,768	-	4,611
Net profit for the period	9,514	9,835	15,620	14,539
<u>Profit attributable to:</u>				
Owners of the parent	9,299	9,722	15,301	14,352
Non-controlling interests	215	113	319	187
	9,514	9,835	15,620	14,539
<u>EPS - Basic (sen)</u>				
- continuing operations	5.44	2.90	8.95	5.69
- discontinued operations	-	2.79	-	2.70
	5.44	5.69	8.95	8.39

(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 30 June 2011

	<u>2011</u> Current qtr ended 30 Jun RM'000	<u>2010</u> Comparative qtr ended 30 Jun RM'000	<u>2011</u> 6 months Cumulative to 30 Jun RM'000	<u>2010</u> 6 months Cumulative to 30 Jun RM'000
Net profit for the period	9,514	9,835	15,620	14,539
Available-for-sale securities:				
- Unrealised gains, before tax	754	1,280	1,450	2,818
- Reclassification of gains to income statement on disposal, before tax	(714)	(393)	(1,018)	(449)
- Tax on fair value movements	(3)	(195)	(79)	(333)
- Share of other comprehensive income of an associated company	(218)	30	(219)	24
Other comprehensive income, net of tax	<u>(181)</u>	<u>722</u>	<u>134</u>	<u>2,060</u>
Total comprehensive income for the period	<u>9,333</u>	<u>10,557</u>	<u>15,754</u>	<u>16,599</u>
<u>Total comprehensive income attributable to:</u>				
Owners of the parent	9,118	10,447	15,434	16,416
Non-controlling interests	215	110	320	183
	<u>9,333</u>	<u>10,557</u>	<u>15,754</u>	<u>16,599</u>

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

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2011

	← Attributable to Owners of the Parent →			Non-controlling Interests	Total Equity	
	Non-distributable Share Capital RM'000	Fair Value Reserves RM'000	Distributable Retained Profits RM'000			
	Total RM'000			RM'000	RM'000	
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
Transactions with owners:						
Dividends paid	-	-	(19,237)	(19,237)	-	(19,237)
At 30 June 2010	170,994	767	393,939	565,700	3,781	569,481
6 months ended 30 June 2011						
At 1 January 2011	170,994	2,261	481,378	654,633	3,676	658,309
Total comprehensive income for the period	-	133	15,301	15,434	320	15,754
Transactions with owners:						
Dividends paid	-	-	(230,585)	(230,585)	-	(230,585)
At 30 June 2011	170,994	2,394	266,094	439,482	3,996	443,478

(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 30 June 2011

	<u>2011</u> 6 months ended 30 Jun RM'000	<u>2010</u> 6 months ended 30 Jun RM'000
Profit before taxation		
- continuing operations	19,458	12,081
- discontinued operations	-	1,959
Adjustment for:		
Non-cash items	<u>4,537</u>	<u>2,144</u>
Operating profit before changes in working capital	23,995	16,184
Changes in working capital		
Net disposal of investments	12,196	6,706
Increase in loans, trade and other receivables	(159,033)	(125,013)
Increase in trade and other payables	24,040	24,146
Deposits with financial institutions pledged as security for credit facilities	(150)	-
Interest and net dividends received	4,319	8,082
Interest and commitment fees paid	(8,432)	(4,549)
Income tax paid	<u>(3,161)</u>	<u>(3,402)</u>
Net cash flows used in operating activities	<u>(106,226)</u>	<u>(77,846)</u>
Investing activities:		
Receipt of remaining sale proceeds for disposal of insurance subsidiary	196,484	-
Receipt of sale proceeds for disposal of an associated company	2,169	-
Net disposal of investments	348	362
Interest and net dividends received	574	366
Net purchase of property and equipment and intangible assets	<u>(823)</u>	<u>(707)</u>
Net cash flows generated from investing activities	<u>198,752</u>	<u>21</u>
Financing activities:		
Dividends paid	(230,585)	(19,237)
Borrowings and debt securities	<u>90,006</u>	<u>106,501</u>
Net cash flows (used in)/generated from financing activities	<u>(140,579)</u>	<u>87,264</u>
Net change in cash and cash equivalents	(48,053)	9,439
Cash and cash equivalents at beginning of year	82,353	131,667
Cash and cash equivalents at end of period	<u>34,300</u>	<u>141,106</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	36,233 *	131,096
Cash and bank balances	9,196	10,742
Bank overdrafts	<u>(11,129) #</u>	<u>(732)</u>
	<u>34,300</u>	<u>141,106</u>

* Excludes deposits with financial institutions of RM1,995,000 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)

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 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 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, other than the net gain of RM0.63 million on disposal of its associated company, Malaysian Trustees Berhad, on 15 June 2011 (refer Note A9).

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 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 30 June 2011 RM'million	Current Financial Year-to-Date 30 June 2011 RM'million
At the beginning of period	65	70
Issued during the period	150	215
Redemption during the period	(115)	(185)
At the end of period	100	100

A6 Dividends paid

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) amounting to RM179,286,681; and
- (ii) Single tier dividend of RM0.30 per ordinary share (tax exempt) amounting to RM51,298,050.

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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
<u>By business segment</u>						
Revenue						
External revenue	26,433	22,422	4,664	4,915	-	58,434
Inter-segment revenue	-	54	437	31,902	(32,393)	-
Segment revenue	<u>26,433</u>	<u>22,476</u>	<u>5,101</u>	<u>36,817</u>	<u>(32,393)</u>	<u>58,434</u>
Results						
Segment profit before taxation	10,715	2,689	631	34,167	(29,560)	18,642
Share of results of an associated company	-	-	-	-	183	183
Gain on disposal of an associated company	-	-	-	1,894	(1,261)	633
Profit before taxation	<u>10,715</u>	<u>2,689</u>	<u>631</u>	<u>36,061</u>	<u>(30,638)</u>	<u>19,458</u>
Taxation	<u>(2,873)</u>	<u>(596)</u>	<u>(345)</u>	<u>(7,422)</u>	<u>7,398</u>	<u>(3,838)</u>
Net profit for the period	<u>7,842</u>	<u>2,093</u>	<u>286</u>	<u>28,639</u>	<u>(23,240)</u>	<u>15,620</u>
Assets and Liabilities						
Total assets	<u>700,249</u>	<u>64,329</u>	<u>95,134</u>	<u>506,235</u>	<u>(326,542)</u>	<u>1,039,405</u>
Total liabilities	<u>545,543</u>	<u>39,398</u>	<u>75,365</u>	<u>1,901</u>	<u>(66,280)</u>	<u>595,927</u>

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.

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 other than the disposal of PacificMas Berhad's 20% equity interest in Malaysian Trustees Berhad for a cash consideration of RM2,169,420 on 15 June 2011. Consequently, Malaysian Trustees Berhad ceased to be an associated company of the Group.

A10 Changes in contingent liabilities or contingent assets

The contingent liabilities of the Group as at 30 June 2011 were as follows:

	<u>Group</u>			<u>Company</u>		
	As at 30 Jun 2011 RM'000	As at 31 Dec 2010 RM'000	Increase RM'000	As at 30 Jun 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	4,196	2,328	1,868	-	-	-
Total	4,196	2,328	1,868	733,000	548,000	185,000

A11 Acquisitions and disposals of property and equipment

The acquisitions and disposals of property and equipment of the Group for the current financial year-to-date are as follows:

	Current Financial Year-to-Date 30-Jun-11 RM'000
Property and equipment:-	
Net carrying amount at the beginning of year	97,619
Acquisitions	684
Disposals	(29)
Depreciation	(2,040)
Net carrying amount at the end of period	<u>96,234</u>

A12 Significant related party transactions

The significant related party transactions for the current financial year-to-date ended 30 June 2011 are as follows:

	Group RM'000
<u>Subsidiaries of the ultimate holding company</u>	
Interest expense	1,618
Net fees and commissions expense	<u>4,941</u>
	<u>6,559</u>

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 ("2Q2011") increased by RM5.62 million (+92.4%) to RM11.71 million from RM6.09 million in the second quarter of 2010 ("2Q2010"). This was mainly attributable to:-

- (a) Higher profit contributions from the Group's hire-purchase/leasing and unit trust management subsidiaries by RM2.77 million and RM0.88 million respectively;
- (b) Trading gain of RM0.49 million for the Group's investment in equities for 2Q2011 against a loss of RM0.45 million for 2Q2010; and
- (c) Net gain on disposal of the Group's associated company, Malaysian Trustees Berhad amounting to RM0.63 million in 2Q2011.

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

The Group's profit before taxation for the current financial year-to-date ended 30 June 2011 ("YTD 2011") increased by RM7.38 million (+61.1%) to RM19.46 million from RM12.08 million recorded in the previous year's corresponding period ("YTD 2010"). This was mainly due to:-

- (a) Higher profit contributions from the hire-purchase/leasing and unit trust management subsidiaries by RM4.31 million and RM1.10 million respectively;
- (b) Higher trading gain by RM1.08 million from the Group's investment in equities in line with better performance in the equity market during the period; and
- (c) Net gain on disposal of the Group's associated company, Malaysian Trustees Berhad amounting to RM0.63 million in YTD 2011.

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

The Group's profit before taxation increased by RM3.97 million (+51.3%) to RM11.71 million in 2Q2011 from RM7.74 million in the immediate preceding quarter ("1Q2011") mainly due to:-

- (a) Higher profit contributions from the hire-purchase/leasing and unit trust management subsidiaries by RM1.54 million and RM0.98 million respectively;
- (b) Higher distribution income by RM0.80 million from the Group's investment in wholesale bond funds and unit trust funds in 2Q2011; and
- (c) Net gain on disposal of the Group's associated company, Malaysian Trustees Berhad amounting to RM0.63 million in 2Q2011.

B3 Prospects

The Group is cautious on its performance for the rest of 2011, having regard to the difficult and deteriorating global economic as well as financial market conditions.

B4 Profit forecast and profit guarantee

Not applicable.

UNAUDITED QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2011

B5 Taxation

Major components of tax expense

	Current Quarter Ended 30 Jun 2011 RM'000	Current Financial Year-to-Date 30 Jun 2011 RM'000
Income tax:		
Malaysian income tax – current year’s provision	2,287	3,967
Under/(over) provision in respect of a prior year	64	(394)
	<u>2,351</u>	<u>3,573</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	(86)	(129)
(Over)/under provision in respect of a prior year	(65)	394
Tax expense recognised in income statement	<u>2,200</u>	<u>3,838</u>

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

	Current Quarter Ended 30 Jun 2011 RM'000	Current Financial Year-to- Date 30 Jun 2011 RM'000
Profit before tax	11,714	19,458
Taxation at 25%	2,929	4,865
Tax effect arising from:-		
Non-allowable expenses	37	332
Exempt income	(898)	(1,466)
Share of results of an associated company	(20)	(46)
Deferred tax asset not recognised for the period by a subsidiary	153	153
Under/(over) provision of income tax in a prior year	64	(394)
(Over)/under provision of deferred tax in a prior year	(65)	394
Tax expense for the period	<u>2,200</u>	<u>3,838</u>
Effective tax rate	<u>18.79%</u>	<u>19.72%</u>

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	Current Quarter Ended 30 Jun 2011	Current Financial Year-to-Date 30 Jun 2011
	RM'000	RM'000
Purchase cost	1,778	3,634
Sale proceeds	1,490	3,416
Net gain from disposal	157	531

As at 30 Jun 2011	Cost	Carrying Value	Market Value
	RM'000		
Quoted securities	15,664	17,978	17,978

B8 Status of corporate proposals announced but not completed yet

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%. Since March 2011, Koperasi Angkatan Tentera Malaysia Berhad ("KATM") also disposed of 730,200 ordinary shares in PacificMas, thus reducing its total shareholdings in PacificMas from 16.44% to 16.02%. However, PacificMas remained non-compliant with the Public Shareholding Spread.

On 1 July 2011, PacificMas received approval from Bursa Securities for a further extension of three (3) months from 26 June 2011 to 25 September 2011 to comply with the Public Shareholding Spread. Notwithstanding this, OCBC Capital will continue with its efforts to further sell down part of its shareholdings in PacificMas in order to comply with the Public Shareholding Spread and would negotiate with KATM to jointly sell down part of their respective shareholdings in PacificMas.

B9 Borrowings and debt securities

- (i) As at 30 June 2011, the Group's outstanding borrowings and debt securities payable were as follows:

<u>Secured by corporate guarantees of the Company:-</u>		RM'000
Bank borrowings:		
Bank overdrafts		11,129
Revolving credits		293,500
Recourse obligations on receivables sold to Cagamas Berhad		
		130,010
<u>Unsecured:-</u>		
Private debt securities		100,000
		<u>534,639</u>

Included in bank borrowings are RM99.50 million revolving credits granted by a banking subsidiary of the Group's ultimate holding company.

- (ii) The breakdown between short-term and long-term borrowings of the Group as at 30 June 2011 were as follows:

	RM'000
Due within 12 months	454,631
Due after 12 months	80,008
	<u>534,639</u>

- (iii) All borrowings and debt securities of the Group were denominated in Malaysian Ringgit.

B10 Derivative financial instruments

The Group's hire-purchase and leasing subsidiary has entered into six interest rate swap contracts. Details of the outstanding derivatives as at 30 June 2011 are as follows:

<u>Type of Derivatives</u>	<u>Contract/ Notional Value (RM'000)</u>	Fair Value	
		<u>Payable (RM'000)</u>	<u>Receivable (RM'000)</u>
Interest rate swaps			
- Less than 1 year	-	-	-
- 1 year to 3 years	60,000*	20	71
- More than 3 years	-	-	-

- * included RM30 million interest rate swap contracts with a banking subsidiary of the Group's ultimate holding company

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 entitle 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 floating rate interest is pegged against the 3-month KLIBOR on the reset date.

The interest rate swap contracts are subject to certain risks and the policies for mitigating or managing 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 three credit-worthy financial institutions.

Liquidity Risk

Liquidity risk is the financial risk due to uncertain liquidity faced by the hire-purchase and leasing subsidiary in meeting its contractual and financial obligations to the counterparties 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-month 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 of its Board of Directors ("EXCO") 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.

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The Board of Directors of the hire-purchase and leasing subsidiary has the overall responsibility of determining the type and level of business risks that the subsidiary undertakes in achieving its corporate objectives. It 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 of Directors of the hire-purchase and leasing subsidiary.

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 30-Jun-11 RM'000	Current Financial Year-to-Date 30-Jun-11 RM'000
(Losses)/gains arising from fair value changes in derivative payables	(8)	22

- (b) The above gains and losses arose from the fair value changes in interest rate swap contracts entered between the Group's hire-purchase and leasing subsidiary and financial institutions. The hire-purchase and leasing subsidiary pays fixed rate and receives floating rate from the interest rate swap contracts. Gains on fair value changes were recorded due to the favourable movement of the floating rate on the interest rate swaps and vice versa for losses on fair value changes.

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- (c) The derivative payables are based on the difference between the present values of the fixed rate payables and floating rate receivables computed on the notional amount over the remaining tenor of the interest rate swaps. The fair values of the derivative contracts are the estimated amounts that the Group's hire-purchase and leasing subsidiary would expect to pay in the event of termination of the outstanding positions 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 judgement. On 28 May 2011, the Court of Appeal dismissed the appeal with cost of RM10,000.

KMSB fully settled the outstanding sum on 30 June 2011 and Pac Lease recognised the write-back of allowance for impaired loan amounting to RM1.07 million in 2Q2011.

B13 Dividends

- (a) Apart from the payment of the special interim dividend on 26 April 2011 (see Note A6), no other interim dividend has been proposed or declared for the current quarter and current financial year-to-date; and
- (b) Total net dividend paid by the Company for current financial year amounted to RM230,584,731. Please refer to Note A6 for the special dividend in respect of the financial year ending 31 December 2011 that was paid on 26 April 2011.

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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.

	<u>2011</u> Current Qtr Ended 30 Jun	<u>2010</u> Comparative Qtr Ended 30 Jun	<u>2011</u> 6 Months Cumulative 30 Jun	<u>2010</u> 6 Months Cumulative 30 Jun
Profit for the period attributable to owners of the parent (RM'000)	9,299	9,722	15,301	14,352
- From continuing operations (RM'000)	9,299	4,954	15,301	9,741
- From discontinued operations (RM'000)	-	4,768	-	4,611
Number of ordinary shares in issue ('000)	170,994	170,994	170,994	170,994
Basic EPS (sen)	5.44	5.69	8.95	8.39
- From continuing operations (sen)	5.44	2.90	8.95	5.69
- From discontinued operations (sen)	-	2.79	-	2.70

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 30 June 2011 and 31 December 2010 into realised and unrealised profits are as follows:

	As at 30 Jun 2011 RM'000	As at 31 Dec 2010 RM'000
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	303,914	523,161
- Unrealised	(77)	(574)
	303,837	522,587
Share of retained profits from associated company:		
- Realised	-	1,250
- Unrealised	-	(6)
	303,837	523,831
Less: Consolidation adjustments	(37,743)	(42,453)
Total retained profits	266,094	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

22 August 2011