

**A. Notes To The Interim Financial Report  
For The Three Months Ended 31 December 2011**

**A1. Basis of Preparation**

The interim financial report has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting and the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and comply with applicable approved accounting standards issued by Malaysian Accounting Standards Board (“MASB”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2011.

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 30 September 2011 except for the adoption of the following FRSs, Amendments to FRSs and Issues Committee (“IC”) Interpretations issued by MASB:

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters

Amendments to FRS 1 Additional Exemptions for First-time Adopters

Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7 Improving Disclosures about Financial Instruments

Amendments to FRSs contained in the document entitled “Improvements to FRSs (2010)”

IC Interpretation 4 Determining whether an Arrangement contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)

FRSs 128, 131 and IC Interpretation 13 contained in the document entitled “Improvements to FRSs (2010)” (effective for financial periods on or after 1 January 2011) and Amendments to IC Interpretation 14 (effective for financial periods on or after 1 July 2011) are not applicable to the Group.

The adoption of the other new/revised FRSs, Amendments to FRSs and IC Interpretations will not have any significant impact on the financial statements of the Group.

**A1. Basis of Preparation (Cont'd.)**

On 19 November 2011, MASB had issued new MASB approved accounting standards, Malaysian Financial Reporting Standards (hereinafter known as MFRSs or the MFRS framework).

The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012. The MFRS Framework will replace the existing Financial Reporting Standards ("FRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The adoption of the MFRSs is not expected to have any significant impact on the financial statements of the Group.

**A2. Audit Qualification of the Preceding Annual Financial Statements**

There was no qualification in the audit report of the preceding annual financial statements of the Group.

**A3. Seasonality or Cyclicity of Operations**

The businesses of the Group are not subject to seasonal or cyclical fluctuations.

**A4. Material Unusual Items**

There were no material unusual items that affect the assets, liabilities, equity, net income or cash flows of the Group.

**A5. Change in Estimates**

There were no changes in estimates of amounts reported in prior periods that have a material effect in the period under review.

**A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities**

(i) Issuance of shares

There was no new issuance of ordinary shares.

(ii) Share buy-back

On 17 March 2011, the shareholders of the Company renewed their approval for the Company's plan to purchase its own ordinary shares.

During the quarter ended, the Company purchased 56,800 of its issued ordinary shares of RM0.50 each fully paid from the open market at a price of RM0.71 per share for a total consideration of RM40,320. The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 245,954,000 issued and fully paid ordinary shares of RM0.50 each as at 31 December 2011, 240,500 (RM174,743) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 245,713,500 ordinary shares of RM0.50 each.

(iii) There were no:

- issuances or repayments of debt securities.
- shares cancelled.

**A7. Dividends Paid**

No dividend has been paid in respect of the quarter ended 31 December 2011.

**A8. Segment Information**

Year To Date 31 December 2011	Insurance RM'000	Information Technology RM'000	Investment Holding RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
<b>REVENUE</b>						
External sales	119,681	1,162	8	4	-	120,855
Inter-segment sales	64	2,305	2,350	89	(4,808)	-
Total segment Revenue	<u>119,745</u>	<u>3,467</u>	<u>2,358</u>	<u>93</u>	<u>(4,808)</u>	<u>120,855</u>
<b>RESULTS</b>						
Segment profit before tax after accounting for :	8,428	(1,496)	(4,184)	40	185	2,973
Interest income	-	4	-	-	-	4
Finance cost	(1,440)	(211)	(1,342)	-	1,693	(1,300)
Depreciation	(233)	(123)	(22)	-	22	(356)
Amortisation	(9)	(30)	(1)	-	2	(38)
Other non cash items	(22)	241	2,513	8	-	2,740

**A9. Valuation of Property, Plant and Equipment Brought Forward**

The valuations of freehold land and buildings and leasehold buildings classified as property, plant and equipment have been brought forward without any amendments from the preceding year's audited financial statements.

In accordance with the accounting policy of the Group, valuation of freehold land and buildings and leasehold buildings are performed once in every five years or earlier if the carrying values of the said revalued properties are materially different from their market values.

**A10. Material Events Subsequent to End of Reporting Period**

Other than the declaration of dividend as described in Note B9, there were no material events subsequent to the end of the period reported up to 22 February 2012.

**A11. Effect of Changes in Composition of the Group**

There were no changes in the composition of the Group for the quarter ended 31 December 2011.

A12. Changes in Contingent Assets and Contingent Liabilities

The Group does not have any contingent assets since financial year ended 30 September 2011.

Details of the Group's contingent liabilities are as follows:

	<u>Year To Date</u>	
	<u>31.12.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
Performance guarantees - secured	237	267

A13. Significant Related Party Transactions

	<u>Year To Date</u>	
	<u>31.12.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
Insurance revenue from a group of companies in which a Director is deemed interested:		
- Ancom Berhad group of companies	45	-

The Directors are of the opinion that the transactions above have been entered into in the normal course of business on terms and conditions which are not materially different from that obtainable in transactions with unrelated parties.

A14. Capital Commitments

The amount of capital commitments for the purchase of property, plant and equipment and intangible asset not provided for is as follows:

	<u>Group</u>	
	<u>Year To Date</u>	
	<u>31.12.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
Approved and contracted for	-	175

A15. Risk-Based Capital Framework of the Insurance Subsidiary

As at 31 December 2011, the insurance subsidiary has a capital adequacy ratio in excess of the minimum requirement as stipulated in the RBC Framework.

**B. Additional Notes Pursuant To The Main Market Listing Requirements of BMSB For The Three Months Ended 31 December 2011**

B1. Review of Results

Current Quarter/Year To Date

Group revenue was RM120,855,000 compared to RM114,730,000 in the corresponding quarter of the last financial year. However, profit before tax of RM2,973,000 was reported compared to RM13,975,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue increased by RM6,138,000 during the current quarter compared to the corresponding quarter of the last financial year. The increase was mainly due to higher gross premium recorded during the current quarter. Pre-tax profit decreased by RM7,822,000 during the current quarter compared to the corresponding quarter of the last financial year. This was mainly attributable to higher net claims incurred which includes the share of losses incurred by the Malaysian Motor Insurance Pool (MMIP) during the current quarter. MMIP was formed to cater for unplaced motor risks and the results of the pool are equally shared by all licensed general insurers.

Information technology (IT) segment - Revenue increased marginally during the current quarter compared to the corresponding quarter for the last financial year, mainly due to the increase in sales of hardware during the current quarter. However pre-tax loss increased by RM698,000 compared to the corresponding quarter for the last financial year, mainly due to increase in staff costs and unrealised foreign exchange loss, during the current quarter.

Investment holding segment - Revenue increased by RM1,405,000 during the current quarter compared to the corresponding quarter for the last financial year. The increase in revenue was mainly due to the increase in interest income from its investment activities. However, pre-tax loss increased by RM2,385,000 during the current quarter compared to the corresponding quarter for the last financial year, mainly due to an impairment loss on available-for-sale (“AFS”) financial assets during the current quarter.

**B2. Comparison With Preceding Quarter's Results**

Group revenue of RM120,855,000 was lower than RM131,213,000 reported in the preceding quarter. Profit before tax of RM2,973,000 was reported compared to RM19,944,000 in the preceding quarter.

Insurance segment – Revenue decreased by RM10,169,000 during the current quarter compared to the preceding quarter. This was mainly attributable to lower gross premium recorded during the current quarter. Profit before tax decreased by RM14,709,000 during the current quarter compared to the preceding quarter. This was mainly attributable to higher net claims incurred which includes the share of losses incurred by the MMIP during the current quarter.

IT segment – Revenue decreased by RM333,000 during the current quarter compared to the preceding quarter. This was mainly attributable to lower IT consultation revenue recorded during the current quarter. A pre-tax loss was reported during the current quarter compared to a pre-tax profit recorded in the preceding quarter. This was mainly attributable to higher staff costs and unrealised foreign exchange loss during the current quarter.

Investment holding segment – Revenue decreased by RM26,525,000 during the current quarter compared to the preceding quarter. This was mainly due to lower dividend income from its insurance subsidiary during the current quarter. A pre-tax loss was recorded during the current quarter compared to pre-tax profit recorded in the preceding quarter. This was mainly attributable to lower dividend income from its insurance subsidiary and impairment loss on AFS financial assets during the current quarter.

**B3. Current Year Prospects**

The global financial market sentiments continue to be volatile. Performance of the local financial markets is expected to move in tandem with the developments in the overseas financial markets in particular the developments in the Eurozone area. The Board will monitor the developments in the financial markets and at the same time continually identify attractive investment opportunities.

The insurance business environment continues to be competitive and challenging. In spite of this, the Board expects the insurance segment to improve upon that of the previous financial year due to anticipated higher premiums from its agency network and from the implementation of the new motor cover framework that was formulated by Bank Negara Malaysia on 1 January 2012 which allows insurers to gradually increase the premium charged to their customers over a period of four years.

The IT segment remains extremely competitive with entry of new players into the ICT industry. Nevertheless, amid this environment where client attrition is experienced, the IT segment is expected to maintain a steady trend in its long term growth with continued focus in providing quick and attentive service to retain its major clients.

The performance of the investment holding segment, which wholly owns the insurance subsidiary, is dependent on income generated from the insurance subsidiary.

In view of the above and barring unforeseen circumstances, the Board expects the Group's performance for the current financial year to be better than the previous financial year.



**Pacific & Orient Berhad**  
(Company No: 308366-H)

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the quarter ended 31 December 2011.

B5. Taxation

The taxation figures include the following:

	1st Quarter Ended 31.12.2011 RM'000
Income tax:	
Current year's provision	
- Malaysian tax	2,524
Deferred tax:	
- Transfer from deferred taxation	(303)
	<u>2,221</u>

The effective rates of taxation of the Group for the quarter and year to date are higher than the statutory rate of taxation principally due to impairment loss on AFS financial assets and other expenses which are not deductible for tax purposes.

B6. Status of Corporate Proposals

As at 22 February 2012 there were no corporate proposals announced but not completed.

B7. Group Borrowings\*

	As At 31.12.2011 RM'000
Long term	
a. Secured	1,214
b. Unsecured	-
Short term	
a. Secured	1,119
b. Unsecured	24,376
Foreign currency borrowings	
Long term	
a. Secured (Denominated in USD)	72,718

\*Includes hire purchase creditors of RM1,833,000 of which RM1,214,000 is long term.

B8. Material Litigation

As at 22 February 2012 there was no material litigation against the Group other than those arising in the normal course of the insurance subsidiary's business.

B9. Dividend

No dividend has been declared in respect of the period under review (previous corresponding period: Nil).

On 18 January 2012, the Board of Directors had declared a first interim dividend of 0.8 sen per share less 25% tax in respect of the current financial year ending 30 September 2012 which is payable on 23 February 2012.

B10. Earnings Per Share

		Quarter/Year To Date	
		31.12.2011	31.12.2010
Profit for the period (A)	(RM'000)	752	9,606
Weighted average number of ordinary shares in issue (B)	('000)	245,714	242,699
Weighted average number of ordinary shares for diluted earnings per share (C)	('000)	245,714	242,853
Earnings per share:			
Basic (A÷B)	(sen)	0.31	3.96
Diluted (A÷C)	(sen)	0.31	3.96
<u>Note:</u>			
Weighted average number of ordinary shares in issue	('000)	245,714	242,699
Assumed exercise of share options	('000)	-	154
Weighted average number of ordinary shares for diluted earnings per share (C)	('000)	245,714	242,853

B11. Profit For The Period

1st Quarter  
Ended  
31.12.2011  
RM'000

Profit for the period is arrived at after charging:

Interest expense	1,268
Depreciation of property, plant and equipment	356
Amortisation of intangible assets	38
Impairment loss on AFS financial assets	2,758
Allowance for/(write back in) impairment of:	
- insurance receivables	47
- reinsurance assets	(13)
Inventories written off	5
Loss on disposal equipment	123

and after crediting:

Other operating income:

Interest income	4
Rental income	1
Realised and unrealised foreign exchange gain (net)	57

Other than the above, there were no (i) gain or loss on disposal of quoted or unquoted investments or properties, (ii) gain or loss on derivatives and (iii) exceptional items for the current quarter and year to date ended 31 December 2011.

B12. Disclosure of Realised and Unrealised Profits

	As at Quarter Ended 31 December 2011 RM'000	As at Quarter Ended 30 September 2011 RM'000
Total retained profits of the Group:		
- Realised	13,243	12,569
- Unrealised	1,745	1,852
	<hr/> 14,988	<hr/> 14,421
Consolidation adjustments	9,976	9,791
Total retained profits as per statement of financial position of the Group	<hr/> 24,964	<hr/> 24,212

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

BY ORDER OF THE BOARD  
SOO HAN YEE  
YONG KIM FATT  
Company Secretaries  
Kuala Lumpur

22 February 2012