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

A. Notes To The Interim Financial Report For The Six Months Ended 31 March 2012

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 do not have any significant impact on the financial statements of the Group.

A2. Changes in Accounting Framework

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 September 2013. In presenting its first MFRS financial statements, the Group may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments (if any) required on transition will be made, retrospectively, against opening retained profits.

Nevertheless, the adoption of the MFRS Framework is not expected to have any significant impact on the financial statements of the Group.

A3. 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.

A4. Seasonality or Cyclicality of Operations

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

A5. Material Unusual Items

There were no material unusual items that affect the assets, liabilities, equity, net income or cash flows of the Group for the period under review except for a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer at the insurance subsidiary. This was charged to the income statement in the period under review.

A6. 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.

A7. 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 27 March 2012, the shareholders of the Company renewed their approval for the Company's plan to purchase its own ordinary shares.

During the period ended 31 March 2012, the Company purchased 456,100 of its issued ordinary shares of RM0.50 each fully paid from the open market at a price of RM0.93 per share for a total consideration of RM424,802. 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 March 2012, 639,800 (RM559,225) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 245,314,200 ordinary shares of RM0.50 each.

(iii) There were no:
- issuances or repayments of debt securities.
- shares cancelled.

A8. Dividends Paid

In respect of financial year ending 30 September 2012:

(i) A first interim dividend of 0.80 sen per share less tax at 25% amounting to RM1,474,000, was paid on 23 February 2012.

(ii) A second interim dividend of 2.30 sen per share less tax at 25% amounting to RM4,234,000 was paid on 5 April 2012.

A9. Segment Information

Year To Date 31 March 2012	Insurance RM'000	Information Technology RM'000	Investment Holding RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
REVENUE						
External sales	280,041	2,433	22	6	-	282,502
Inter-segment sales	128	5,245	17,982	179	(23,528)	-
Total segment Revenue	280,169	7,678	18,004	185	(23,528)	282,502
RESULTS						
Segment profit before tax after accounting for :	10,902	(1,918)	9,549	28	(13,487)	5,074
Interest income	-	10	-	-	-	10
Finance cost	(2,863)	(414)	(2,615)	-	3,361	(2,531)
Depreciation	(467)	(238)	(45)	-	47	(703)
Amortisation	(19)	(61)	(1)	-	4	(77)
Other non cash items	20,379	720	799	68	-	21,966

A10. 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.

A11. 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 31 May 2012.

A12. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 March 2012 except for the completion of the striking off of the Company's wholly owned non-operating subsidiary companies, (i) Seni Perkasa Sdn. Bhd (ii) Seni Bayu Sdn. Bhd, (iii) Pacific & Orient – F.I.H. Sdn. Bhd. (iv) DND Consulting Services Sdn. Bhd. from the Register of the Companies Commission of Malaysia.

A13. 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:

	Year To Date	
	31.03.2012	31.03.2011
	RM'000	RM'000
Performance guarantees - secured	237	265

A14. Significant Related Party Transactions

	Year To Date	
	31.03.2012	31.03.2011
	RM'000	RM'000
Insurance revenue from a group of companies in which a Director is deemed interested:		
- Ancom Berhad group of companies	56	17

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.

A15. Capital Commitments

The amount of capital commitments for the purchase of property, plant and equipment is as follows:

	Group	
	Year To Date	
	31.03.2012	31.03.2011
	RM'000	RM'000
Approved and contracted for	48	-

A16. Risk-Based Capital Framework of the Insurance Subsidiary

As at 31 March 2012, 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 Six Months Ended 31 March 2012

B1. Review of Results

<u>Current Quarter</u>

Group revenue was RM161,647,000 compared to RM154,001,000 in the corresponding quarter of the last financial year. Profit before tax of RM2,101,000 was reported compared to RM12,814,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue increased by RM7,429,000 during the current quarter compared to the corresponding quarter of the last financial year. The increase was mainly due to higher gross premium. However, pre-tax profit decreased by RM11,596,000 during the current quarter compared to the corresponding quarter of the last financial year. This was mainly attributable to a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer and the increase in the share of losses of RM2,332,000 incurred by the Malaysian Motor Insurance Pool (MMIP) which was formed to cater for unplaced motor risks.

Information technology (IT) segment - Revenue increased by RM863,000 during the current quarter compared to the corresponding quarter for the last financial year, mainly due to the increase in IT consultation revenue and sale of application software. Pre-tax loss decreased by RM374,000 compared to the corresponding quarter for the last financial year, mainly due to the increase in revenue and the decrease in unrealised foreign exchange loss.

Investment holding segment - Revenue increased by RM5,522,000 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 dividend income from its investment activities. Pre-tax profit increased by RM5,797,000 during the current quarter compared to the corresponding quarter for the last financial year, mainly due to the increase in dividend income.

B1. Review of Results (Cont'd.)

Year to Date

Group revenue was RM282,502,000 compared to RM268,731,000 in the corresponding period of the last financial year. Profit before tax of RM5,074,000 was reported compared to RM26,789,000 in the corresponding period of the last financial year.

Insurance segment – Revenue increased by RM13,567,000 during the current period compared to the corresponding period of the last financial year. The increase was mainly due to higher gross premium. However, pre-tax profit decreased by RM19,418,000 during the current period compared to the corresponding period of the last financial year. This was mainly attributable to a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer and the increase in the share of losses of RM7,275,000 incurred by the MMIP.

Information technology (IT) segment - Revenue increased by RM891,000 during the current period compared to the corresponding period for the last financial year, mainly due to higher IT consultation revenue and sale of application software. However, pre-tax loss increased by RM324,000 compared to the corresponding period for the last financial year as a result of higher staff costs and unrealised foreign exchange loss.

Investment holding segment - Revenue increased by RM6,927,000 during the current period compared to the corresponding period for the last financial year. The increase in revenue was mainly due to the increase in dividend income from its investment activities. Pre-tax profit increased by RM3,412,000 during the current period compared to the corresponding period for the last financial year, mainly due to the increase in dividend income.

B2. Comparison With Preceding Quarter's Results

Group revenue of RM161,647,000 was higher than RM120,855,000 reported in the preceding quarter. Profit before tax of RM2,101,000 was reported compared to RM2,973,000 in the preceding quarter.

Insurance segment – Revenue increased by RM40,679,000 during the current quarter compared to the preceding quarter. This was mainly attributable to higher gross premium. However, profit before tax decreased by RM5,952,000 during the current quarter compared to the preceding quarter. This was mainly attributable to a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer.

IT segment – Revenue increased by RM744,000 during the current quarter compared to the preceding quarter. This was mainly attributable to higher IT consultation revenue. Pre-tax loss decreased by RM1,074,000 during the current quarter compared to the preceding quarter. This was mainly attributable to the increase in revenue offset by the increase in unrealised foreign exchange loss.

Investment holding segment – Revenue increased by RM13,288,000 during the current quarter compared to the preceding quarter. This was mainly due to higher dividend income from its insurance subsidiary. A pre-tax profit was recorded during the current quarter compared to pre-tax loss recorded in the preceding quarter, mainly due to higher dividend income.

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. 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 performance of the insurance segment in the second half year to improve upon that of the previous half year.

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 in the second half year to be better than the previous half year.

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the quarter ended 31 March 2012.

B5. Taxation

The taxation figures include the following:

	Quarter Ended 31.03.2012 RM'000	Year to Date 31.03.2012 RM'000
Income tax:		
Current year's provision		
- Malaysian tax	568	3,092
Deferred tax:		
- Transfer to/(from)		
deferred taxation	223	(80)
	791	3,012

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 certain expenses which are not deductible for tax purposes.

B6. Status of Corporate Proposals

As at 31 May 2012 there were no corporate proposals announced but not completed.

B7. Group Borrowings*

	As At 31.03.2012 RM'000
Long term	
a. Secured	1,244
b. Unsecured	-
Short term	
a. Secured	1,142
b. Unsecured	20,500
Foreign currency borrowings	
Long term	
a. Secured (Denominated in USD)	71,234

*Includes hire purchase creditors of RM1,886,000 of which RM1,244,000 is long term.

B8. Material Litigation

As at 31 May 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

A first interim dividend of 0.80 sen per share less tax at 25% was declared on 18 January 2012 and paid on 23 February 2012 in respect of the current quarter. (previous corresponding quarter: 0.60 sen less tax at 25%).

A second interim dividend of 2.30 sen per share less tax at 25% was declared on 8 March 2012 and paid on 5 April 2012 in respect of the current quarter.

The total dividend for the current financial year to date (six months to 31 March 2012) is 3.10 sen per share less tax at 25%.

Note: On 9 May 2012, the Board of Directors had declared a third interim dividend of 1.30 sen per share less 25% tax in respect of the current financial year, payable on 12 June 2012.

B10. Earnings Per Share

		Quarter Ended		Year To Date	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
Profit for the period (A)	(RM'000)	1,310	9,048	2,062	18,654
Weighted average number of ordinary shares in issue (B)	('000)	245,546	245,953	245,630	244,326
Earnings per share:					
Basic (A÷B)	(sen)	0.53	3.68	0.84	7.63

There were no dilutive potential ordinary shares as at the end of the reporting period.

B11. Profit For The Period

	Quarter Ended 31.03.2012 RM'000	Year to Date 31.03.2012 RM'000
Profit for the period is arrived at after charging:		
Interest expense	1,201	2,469
Depreciation of property, plant and equipment	347	703
Amortisation of intangible assets	37	75
Amortisation of prepaid land lease payments	1	2
Impairment loss on available-for-sale financial assets	414	3,172
Allowance for/(write back in) impairment of:		
- insurance receivables	48	95
- reinsurance assets	(15)	(28)
Impairment loss on:		
- insurance receivables	20,746	20,746
- trade receivables	36	36
Inventories written off	17	22
(Gain)/loss on disposal of equipment	(5)	118
and after crediting:		
Other operating income:		
Interest income	6	10
Rental income	1	2
Gain/(loss) on disposal of:		
- quoted investments	775	775
- unquoted investments	(2)	(2)
Realised and unrealised foreign exchange gain (net)	1,227	1,284

Other than the above, there were no (i) gain or loss on disposal of properties, (ii) gain or loss on derivatives and (iii) exceptional items for the current quarter and year to date ended 31 March 2012.

B12. Disclosure of Realised and Unrealised Profits

	As at Quarter Ended 31 March 2012 RM'000	As at Quarter Ended 31 December 2011 RM'000
Total retained profits of the Group:		
- Realised	8,314	13,243
- Unrealised	2,647	1,745
	10,961	14,988
Consolidation adjustments	9,606	9,976
Total retained profits as per statement of financial position of the Group	20,567	24,964

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 purpose.

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

31 May 2012