

**A. Notes To The Interim Financial Report
For The Nine Months Ended 30 June 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 Cyclicity 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 affected the assets, liabilities, equity, net income or cash flows of the Group for the period under review except for the following:

- (i) 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 preceding quarter and
- (ii) On 19 June 2012, the insurance subsidiary company established a Subordinated Notes ("Sub Notes") Programme with an aggregate nominal value of RM150,000,000, issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a tenure of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the Company whilst the remaining RM35,000,000 were subscribed by a third party.

The proceeds from the issuance of the Sub Notes were used to repay its unsecured loan of RM70,000,000 previously granted by the Company.

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 30 June 2012, the Company purchased 1,400,300 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 RM1,309,265. 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 30 June 2012, 1,584,000 (RM1,443,688) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 244,370,000 ordinary shares of RM0.50 each.

(iii) Issuance of debt securities

On 19 June 2012, the insurance subsidiary company established a Subordinated Notes ("Sub Notes") Programme with an aggregate nominal value of RM150,000,000, issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a tenure of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the Company whilst the remaining RM35,000,000 were subscribed by a third party.

The total carrying value of Sub Notes of the Group as at 30 June 2012 is RM33,594,000, net of discount and transaction costs.

(iv) There were no:

- 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.
- (iii) A third interim dividend of 1.30 sen per share less tax at 25% amounting to RM2,384,000 and paid on 12 June 2012.

A9. Segment Information

Year To Date 30 June 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	412,982	3,806	53	9	-	416,850
Inter-segment sales	192	7,882	36,366	256	(44,696)	-
Total segment Revenue	413,174	11,688	36,419	265	(44,696)	416,850
RESULTS						
Segment profit before tax after accounting for :	32,673	(1,986)	23,353	138	(28,872)	25,306
Interest income	-	15	-	-	-	15
Finance cost	(4,270)	(652)	(4,016)	-	5,019	(3,919)
Depreciation	(701)	(354)	(73)	-	51	(1,077)
Amortisation	(27)	(93)	(2)	-	6	(116)
Other non cash items	19,844	493	2,694	(6)	(261)	22,764

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 29 August 2012.

A12. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the period ended 30 June 2012 except for the acquisition of the entire issued and paid-up capital of Focus Internet Sdn. Bhd. ("FISB") for a cash consideration of RM293,000.00. FISB is principally engaged in the business of supplying computers and related peripherals.

The acquisition is not expected to have any material effects on the net assets, gearing and earnings of the Group for the current financial year ending 30 September 2012.

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:

	<u>Year To Date</u>	
	<u>30.06.2012</u>	<u>30.06.2011</u>
	RM'000	RM'000
Performance guarantees - secured	<u>245</u>	<u>259</u>

A14. Significant Related Party Transactions

	<u>Year To Date</u>	
	<u>30.06.2012</u>	<u>30.06.2011</u>
	RM'000	RM'000
Insurance revenue from a group of companies in which a Director is deemed interested:		
- Ancom Berhad group of companies	<u>70</u>	<u>20</u>

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

There are no capital commitments for the purchase of property, plant and equipment and intangible asset (either approved and contracted for or approved but not contracted for) as at 30 June 2012 and 30 June 2011.

A16. Risk-Based Capital Framework of the Insurance Subsidiary

As at 30 June 2012, the insurance subsidiary has a capital adequacy ratio in excess of the minimum requirement as stipulated in the RBC Framework.

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**B. Additional Notes Pursuant To The Main Market Listing Requirements of BMSB
For The Nine Months Ended 30 June 2012**

B1. Review of Results

Current Quarter

Group revenue was RM134,348,000 compared to RM129,350,000 in the corresponding quarter of the last financial year. Profit before tax of RM20,232,000 was reported compared to RM22,546,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue increased by RM4,634,000 during the current quarter compared to the corresponding quarter of the last financial year. The increase in revenue was primarily due to higher gross premium. However, pre-tax profit decreased by RM2,755,000 during the current quarter compared to the corresponding quarter of the last financial year. This was largely due to the increase in net claims incurred.

Information technology (IT) segment - Revenue increased by RM504,000 during the current quarter compared to the corresponding quarter of the last financial year, principally due to the increase in IT consultation revenue and sale of application software. Pre-tax loss decreased by RM950,000 compared to the corresponding quarter of the last financial year, largely due to the increase in revenue and the decrease in unrealised foreign exchange loss.

Investment holding segment - Revenue increased by RM16,094,000 during the current quarter compared to the corresponding quarter of the last financial year. The increase in revenue was primarily due to the increase in dividend income from its investment activities. A pre-tax profit of RM13,804,000 was recorded during the current quarter compared to pre-tax loss of RM974,000 recorded in the corresponding quarter of the last financial year. The increase in pre-tax profit was mainly due to the increase in dividend income.

B1. Review of Results (Cont'd.)

Year to Date

Group revenue was RM416,850,000 compared to RM398,081,000 in the corresponding period of the last financial year. Profit before tax of RM25,306,000 was reported compared to RM49,335,000 in the corresponding period of the last financial year.

Insurance segment – Revenue increased by RM18,201,000 during the current period compared to the corresponding period of the last financial year. The increase in revenue was primarily due to higher gross premium. However, pre-tax profit decreased by RM22,173,000 during the current period compared to the corresponding period of the last financial year. This was largely due to a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer.

Information technology (IT) segment - Revenue increased by RM1,395,000 during the current period compared to the corresponding period of the last financial year, principally due to higher IT consultation revenue and sale of application software. Pre-tax loss decreased by RM626,000 compared to the corresponding period of the last financial year as a result of higher revenue and the decrease in unrealised foreign exchange loss.

Investment holding segment - Revenue increased by RM23,021,000 during the current period compared to the corresponding period of the last financial year. The increase in revenue was principally due to the increase in dividend income. Pre-tax profit increased by RM18,190,000 during the current period compared to the corresponding period of the last financial year, mainly attributable to the increase in dividend income.

B2. Comparison With Preceding Quarter's Results

Group revenue of RM134,348,000 was lower than RM161,647,000 reported in the preceding quarter. Profit before tax of RM20,232,000 was reported compared to RM2,101,000 in the preceding quarter.

Insurance segment – Revenue decreased by RM27,419,000 during the current quarter compared to the preceding quarter. This was mainly attributable to lower gross premium. However, profit before tax increased by RM19,296,000 during the current quarter due to lower impairment loss compared to a one-off impairment loss of RM20,746,000 arising from the commutation of a reinsurance contract with a reinsurer recorded in the preceding quarter.

IT segment – Revenue decreased by RM201,000 during the current quarter compared to the preceding quarter. This was mainly attributable to lower IT consultation revenue. Pre-tax loss decreased by RM351,000 during the current quarter compared to the preceding quarter. This was primarily due to the increase in unrealised foreign exchange gain offset against the decrease in revenue in the current quarter.

Investment holding segment – Revenue increased by RM2,769,000 during the current quarter compared to the preceding quarter. This was principally due to higher dividend income. Pre-tax profit increased by RM71,000 during the current quarter compared to the preceding quarter largely due to higher dividend income offset against the increase in unrealised foreign exchange loss.

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 for the remaining period of the current financial year to be satisfactory.

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 remaining period of the current financial year to be satisfactory.

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the period ended 30 June 2012.

B5. Taxation

The taxation figures include the following:

	Quarter Ended 30.06.2012 RM'000	Year to Date 30.06.2012 RM'000
Income tax:		
Current year's provision		
- Malaysian tax	5,521	8,613
- Under provision in prior years	230	230
	5,751	8,843
Deferred tax:		
- Transfer to/(from) deferred taxation	39	(41)
- Over provision in prior years	12	12
	5,802	8,814

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 29 August 2012 there were no corporate proposals announced but not completed.

B7. Group Borrowings*

	As At 30.06.2012 RM'000
Long term	
a. Secured	1,112
b. Unsecured ⁽¹⁾	33,594
Short term	
a. Secured	27,800
b. Unsecured	24,572
Foreign currency borrowings	-

* Includes hire purchase creditors of RM1,722,000 of which RM1,112,000 is long term.

(1) Long term unsecured borrowings relate to Sub Notes with nominal value of RM35,000,000 net of discount and transaction costs, issued by the insurance subsidiary company to a third party.

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

B8. Material Litigation

As at 29 August 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 third interim dividend of 1.30 sen per share less tax at 25% was declared on 9 May 2012 and paid on 12 June 2012 in respect of the current quarter.

The total dividend for the current financial year to date (nine months to 30 June 2012) is 4.40 sen per share less tax at 25%.

Note: The Board of Directors had:

- (i) On 18 July 2012 declared a fourth interim dividend of 2 sen per share less 25% tax in respect of the current financial year, paid on 23 August 2012 and
- (ii) On 29 August 2012 declared a fifth interim dividend of 1 sen per share less 25% tax in respect of the current financial year, payable on 3 October 2012.

B10. Earnings Per Share

		Quarter Ended		Year To Date	
		30.06.2012	30.06.2011	30.06.2012	30.06.2011
Profit for the period (A)	(RM'000)	14,430	16,184	16,492	34,838
Weighted average number of ordinary shares in issue (B)	('000)	244,639	245,953	245,300	244,868
Earnings per share:					
Basic (A÷B)	(sen)	5.90	6.58	6.72	14.23

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

B11. Profit For The Period

	Quarter Ended 30.06.2012 RM'000	Year to Date 30.06.2012 RM'000
Profit for the period is arrived at after charging:		
Interest expense	1,351	3,821
Depreciation of property, plant and equipment	374	1,077
Amortisation of intangible assets	38	113
Amortisation of prepaid land lease payments	1	3
Impairment loss on available-for-sale financial assets	-	3,172
Allowance for/(write back in) impairment of:		
- insurance receivables	213	308
- reinsurance assets	(788)	(816)
Impairment loss on:		
- insurance receivables	-	20,746
- trade receivables	8	44
Inventories written off	-	22
Loss on disposal of equipment	9	127
Realised and unrealised foreign exchange loss (net)	2,321	1,037
and after crediting:		
Other operating income:		
Interest income	5	15
Rental income	2	4
Gain/(loss) on disposal of:		
- quoted investments	-	775
- unquoted investments	-	(2)
Gain on forward exchange contract	1,445	1,445

Other than the above, there were no (i) gains or losses on disposal of properties and (ii) exceptional items for the current quarter and year to date ended 30 June 2012.

B12. Disclosure of Realised and Unrealised Profits

	As at 30.06.2012 RM'000	As at 30.09.2011 RM'000
Total retained profits of the Group:		
- Realised	19,102	12,569
- Unrealised	3,244	1,852
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	22,346	14,421
Consolidation adjustments	10,266	9,791
Total retained profits as per statement of financial position of the Group	<hr/>	<hr/>
	32,612	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 purpose.

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

29 August 2012