

**A. Notes To The Interim Financial Report  
For The Year Ended 30 September 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)

Other than the implications as disclosed below, the adoption of the above new/revised FRSs, Amendments to FRSs and IC Interpretations did not have any significant impact on the financial statements of the Group.

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.

A1. Basis of Preparation (Cont'd.)

Amendments to FRS 7 - Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Financial instruments measured at fair value are to be disclosed by class in a three-level fair value measurement hierarchy (Level 1, Level 2 and level 3), with specific disclosure requirements relating to transfers between levels in the hierarchy as well as reconciliation between the beginning and ending balance for Level 3 fair value measurements. The amendments also require enhanced liquidity risk disclosures with respect to financial liabilities. The adoption of the above amendments had resulted in additional disclosures relating to fair value measurements of financial instruments of the Group whilst the enhanced liquidity risk disclosure requirement did not result in any additional disclosure to 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.

The Group has started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and is in the process of assessing the financial effects of the differences.

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. Unusual Items affecting assets, liabilities, equity, net income or cash flows**

There were no 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 bad debt written off 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 and
- (ii) The establishment of a Subordinated Notes (“Sub Notes”) Programme by the insurance subsidiary as disclosed in Note A7 (iii).

**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 approved the renewal of the Company’s plan to purchase its own ordinary shares.

During the financial year, the Company purchased 1,420,300 of its issued ordinary shares of RM0.50 each fully paid from the open market at a price of RM0.94 per share for a total consideration of RM1,329,249. 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 September 2012, 1,604,000 (RM1,463,672) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 244,350,000 ordinary shares of RM0.50 each.

**A7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities (Cont'd.)**

(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 September 2012 is RM33,458,000, net of discount and transaction costs.

- (iv) There were no:
- repayments of debt securities.
  - shares cancelled.

**A8. Dividends Paid**

In respect of financial year ended 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 was paid on 12 June 2012.
- (iv) A fourth interim dividend of 2.00 sen per share less tax at 25% amounting to RM3,665,000 was paid on 23 August 2012.
- (v) A fifth interim dividend of 1.00 sen per share less tax at 25% amounting to RM1,833,000 was paid on 3 October 2012.

**A9. Segment Information**

Year To Date 30 September 2012	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	543,345	5,345	66	11	-	548,767
Inter-segment sales	256	10,732	48,544	336	(59,868)	-
Total segment Revenue	<u>543,601</u>	<u>16,077</u>	<u>48,610</u>	<u>347</u>	<u>(59,868)</u>	<u>548,767</u>
<b>RESULTS</b>						
Segment profit before tax after accounting for :	61,256	(2,375)	31,221	118	(39,610)	50,610
Interest income	-	19	-	-	-	19
Finance cost	(5,658)	(848)	(5,329)	-	5,949	(5,886)
Depreciation	(936)	(489)	(116)	-	60	(1,481)
Amortisation	(37)	(130)	(2)	-	8	(161)
Other non cash items	14,101	843	3,502	64	(111)	18,399

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

There were no material events subsequent to the end of the period reported up to 30 November 2012.

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

There were no changes in the composition of the Group for the period ended 30 September 2012 except for the acquisition of the entire issued and paid-up capital of Focus Internet Sdn. Bhd. ("FISB") on 6 June 2012, for a cash consideration of RM293,000.00. FISB is principally engaged in the business of supplying computers and related peripherals.

The acquisition does not have any material effect on the net assets, gearing and earnings of the Group for the current financial year ended 30 September 2012.

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>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000
Performance guarantees - secured	<u>242</u>	<u>228</u>

A13. 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>30.09.2012</u>	<u>30.09.2011</u>
	RM'000	RM'000
Approved and contracted for	<u>-</u>	<u>81</u>

A14. Risk-Based Capital Framework of the Insurance Subsidiary

As at 30 September 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 Year Ended 30 September 2012**

B1. Review of Results

Current Quarter

Group revenue was RM131,917,000 compared to RM131,213,000 in the corresponding quarter of the last financial year. Profit before tax of RM25,304,000 was reported compared to RM19,944,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue increased by RM513,000 for the current quarter compared to the corresponding quarter of the last financial year. The increase in revenue was primarily due to higher investment income. Pre-tax profit increased by RM5,051,000 for the current quarter compared to the corresponding quarter of the last financial year. This was largely due to write back in allowance for impairment of insurance receivables and absence of impairment loss of available-for-sale financial assets for the current quarter compared to the corresponding quarter of the last financial year. The pre-tax profit could have been higher had it not been for the increase in share of losses from MMIP (Malaysian Motor Insurance Pool), a common issue faced by all general insurers in Malaysia.

Information technology (IT) segment - Revenue increased by RM212,000 for the current quarter compared to the corresponding quarter of the last financial year, principally due to the increase in IT consultation revenue. However, pre-tax loss increased by RM763,000 for the current quarter compared to the corresponding quarter of the last financial year, largely due to the increase in unrealised foreign exchange loss.

Investment holding segment - Revenue decreased by RM18,000 for the current quarter compared to the corresponding quarter of the last financial year. The decrease in revenue was primarily due to the decrease in interest income from its investment activities. A lower pre-tax loss of RM4,185,000 was recorded for the current quarter compared to RM5,427,000 recorded in the corresponding quarter of the last financial year. The lower pre-tax loss was mainly due to lower unrealised foreign exchange loss.

B1. Review of Results (Cont'd.)

Year to Date

Group revenue was RM548,767,000 compared to RM529,294,000 in the last financial year. Profit before tax of RM50,610,000 was reported compared to RM69,279,000 in the last financial year.

Insurance segment – Revenue increased by RM18,715,000 for the current financial year compared to the last financial year. The increase in revenue was primarily due to higher gross premium. However, pre-tax profit decreased by RM14,082,000 for the current financial year compared to the last financial year. This was largely due to a one-off bad debt written of RM20,746,000 in respect of the commutation of a reinsurance contract with a reinsurer. The pre-tax profit was further affected by higher share of losses from MMIP. These adverse factors were however, partially offset by a write back in allowance for impairment of insurance receivables due to collection of previously impaired insurance receivables.

Information technology (IT) segment - Revenue increased by RM737,000 for the current financial year compared to the last financial year, principally due to higher IT consultation revenue and sale of application software. However, pre-tax loss increased by RM1,131,000 for the current financial year compared to the last financial year as a result of the increase in unrealised foreign exchange loss.

Investment holding segment - Revenue increased by RM32,000 for the current financial year compared to the last financial year. The increase in revenue was principally due to the increase in interest income. However, pre-tax loss increased by RM3,327,000 for the current financial year compared to the last financial year, mainly attributable to the impairment loss of available-for-sale financial assets for the current financial year.

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

Group revenue of RM131,917,000 was lower than RM134,348,000 reported in the immediate preceding quarter. Profit before tax of RM25,304,000 was reported compared to RM20,232,000 in the immediate preceding quarter.

Insurance segment – Revenue decreased by RM2,578,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to lower gross premium. However, profit before tax increased by RM5,728,000 for the current quarter due to a write back in allowance for impairment of insurance receivables in the current quarter. The pre-tax profit could have been higher had it not been for the increase in share of losses from MMIP.

IT segment – Revenue increased by RM166,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to higher IT consultation revenue. However, pre-tax loss increased by RM275,000 for the current quarter compared to the immediate preceding quarter. This was primarily due to the increase in unrealised foreign exchange loss.

Investment holding segment – Revenue decreased by RM18,000 for the current quarter compared to the immediate preceding quarter. This was principally due to lower interest income from investment activities. Pre-tax loss increased by RM342,000 for the current quarter compared to the immediate preceding quarter largely due to the increase in operating costs.

**B3. Current Year Prospects**

The global financial market continues to be volatile. Performance of the local financial market is expected to move in tandem with the developments in the overseas financial markets.

The insurance business environment continues to be competitive and challenging mainly due to the consolidation of the insurance industry. In spite of this, the Board expects the performance of the insurance segment for the financial year ending 30 September 2013 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 financial year ending 30 September 2013 to be satisfactory.

**B4. Profit Forecast and Profit Guarantee**

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

**B5. Taxation**

The taxation figures include the following:

	Quarter Ended 30.09.2012 RM'000	Year to Date 30.09.2012 RM'000
Income tax:		
Current year's provision		
- Malaysian tax	4,805	13,418
- Foreign tax	19	19
- Under provision in prior years	-	230
	4,824	13,667
Deferred tax:		
- Transfer to deferred taxation	107	67
- Under provision in prior years	-	11
	4,931	13,745

The effective rates of taxation of the Group for the quarter are lower than the statutory rate of taxation due to certain income which are not subject to tax. However, the effective rates of taxation for the 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 Proposal**

In an announcement on 7 September 2012 and a clarification issued on 12 September 2012, the Company announced that it has been approached by Sanlam Limited concerning a proposal to acquire 49% of the equity interest in Pacific & Orient Insurance Co. Bhd ("POI") and that approval has been obtained from Bank Negara Malaysia for the Company to negotiate with Sanlam Limited.

On 26 November 2012, the Company announced that the Minister of Finance of Malaysia had, by a letter from Bank Negara Malaysia dated 26 November 2012, pursuant to Section 67 of the Insurance Act 1996, approved the following:

- (i) The Company to dispose 49% of its equity interest in POI to Sanlam Emerging Markets Proprietary Limited; and
- (ii) The Company to transfer one share of POI to its wholly owned subsidiary company, Pacific & Orient Nominees Services (Tempatan) Sdn. Bhd.

The above proposed divestment is subject to the execution of a sale and purchase agreement, further details will be announced in due course.

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

B7. Group Borrowings\*

	As At 30.09.2012 RM'000
Long term	
a. Secured	1,216
b. Unsecured <sup>(1)</sup>	33,458
Short term	
a. Secured	28,137
b. Unsecured	25,266
Foreign currency borrowings	-

\* Includes hire purchase creditors of RM1,839,000 of which RM1,216,000 is long term and RM623,000 is short 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.

B8. Material Litigation

As at 30 November 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

The Board of Directors had on 29 October 2012 declared a sixth interim dividend of 1 sen per share less 25% tax in respect of the current financial year, paid on 28 November 2012.

The total dividend for the current financial year ended 30 September 2012 was 8.40 sen per share less tax at 25%. (2011: 5.60 sen per share less tax at 25%.)

B10. Earnings Per Share

		Quarter Ended		Year To Date	
		30.09.2012	30.09.2011	30.09.2012	30.09.2011
Profit for the period (A)	(RM'000)	20,373	14,621	36,865	49,459
Weighted average number of ordinary shares in issue (B)	('000)	244,350	245,891	245,062	245,124
Earnings per share:					
Basic (A÷B)	(sen)	8.34	5.95	15.04	20.18

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

B11. Profit For The Period

	Quarter Ended 30.09.2012 RM'000	Year to Date 30.09.2012 RM'000
Profit for the period is arrived at after charging:		
Interest expense	1,931	5,752
Depreciation of property, plant and equipment	404	1,481
Amortisation of intangible assets	44	157
Amortisation of prepaid land lease payments	1	4
Impairment loss on available-for-sale financial assets	-	3,172
Allowance for impairment:		
- insurance receivables	148	456
- trade and other receivables	3	3
Write back in allowance for impairment:		
- insurance receivables	(5,605)	(5,605)
- reinsurance assets	(252)	(1,068)
- trade and other receivables	(3)	(3)
Bad debt written off:		
- insurance receivables	-	20,746
- trade and other receivables	48	92
Inventories written off	44	66
(Gain)/loss on disposal of equipment	(82)	45
Realised and unrealised foreign exchange loss (net)	1,175	2,212
and after crediting:		
Other operating income:		
Interest income	4	19
Rental income	-	4
Gain/(loss) on disposal of:		
- quoted investments	-	775
- unquoted investments	-	(2)
Gain on forward exchange contract	-	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 September 2012.

B12. Disclosure of Realised and Unrealised Profits

	As at 30.09.2012 RM'000	As at 30.09.2011 RM'000
Total retained profits of the Group:		
- Realised	36,445	12,569
- Unrealised	861	1,852
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	37,306	14,421
Consolidation adjustments	10,181	9,791
Total retained profits as per statement of financial position of the Group	<hr/>	<hr/>
	47,487	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

30 November 2012