

**A. Notes To The Condensed Consolidated Interim Financial Statements
For The Six Months Ended 31 March 2015**

A1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The condensed consolidated interim financial statements also comply with International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2014.

The significant accounting policies adopted by the Group in this condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2014 except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations issued by MASB:

| | |
|------------------------|---|
| Amendments to MFRS 10 | Consolidated Financial Statements: Investment Entities |
| Amendments to MFRS 12 | Disclosure of Interest in Other Entities: Investment Entities |
| Amendments to MFRS 127 | Separate Financial Statements: Investment Entities |
| Amendments to MFRS 132 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities |
| Amendments to MFRS 136 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to MFRS 139 | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |
| Amendments to MFRS 119 | Defined Benefit Plans: Employee Contributions |
| MFRS 2 | Share-Based Payment (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 3 | Business Combinations (Annual Improvements to MFRSs 2010 – 2012 Cycle) |

A1. Basis of Preparation (Cont'd.)

| | |
|----------|--|
| MFRS 8 | Operating Segments (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 13 | Fair Value Measurement (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 116 | Property, Plant and Equipment (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 138 | Intangible Assets (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 124 | Related Party Disclosures (Annual Improvements to MFRSs 2010 – 2012 Cycle) |
| MFRS 1 | First-time Adoption of MFRS (Annual Improvements to MFRSs 2011 – 2013 Cycle) |
| MFRS 3 | Business Combinations (Annual Improvements to MFRSs 2011 – 2013 Cycle) |
| MFRS 13 | Fair Value Measurement (Annual Improvements to MFRSs 2011 – 2013 Cycle) |
| MFRS 140 | Investment Property (Annual Improvements to MFRSs 2011 – 2013 Cycle) |

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations did not have any significant impact on the financial statements of the Group.

A2. MFRSs and Amendments to MFRSs yet to be effective

Effective for financial periods beginning on or after 1 January 2016

| | |
|------------------------|--|
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle) |
| MFRS 7 | Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle) |
| MFRS 14 | Regulatory Deferral Accounts |
| MFRS 119 | Employee Benefits (Annual Improvements to MFRSs 2012 – 2014 Cycle) |
| MFRS 134 | Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle) |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to MFRS 101 | Disclosure Initiative |
| Amendments to MFRS 127 | Equity Method in Separate Financial Statements |
| | Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128) |
| | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138) |
| | Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) |
| | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) |

Effective for financial periods beginning on or after 1 January 2017

| | |
|---------|---------------------------------------|
| MFRS 15 | Revenue from Contracts with Customers |
|---------|---------------------------------------|

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2018

| | |
|--------|---|
| MFRS 9 | Financial Instruments (International Financial Reporting Standard (“IFRS”) 9 Financial Instruments issued by IASB in July 2014) |
|--------|---|

The adoption of the above MFRSs and Amendments to MFRSs stated above are not expected to result in significant financial impact to the Group, except as disclosed below:

- MFRS 9: Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139.

The initial application of MFRS 9 in the future may have an impact on the financial statements of the Group. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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 as disclosed below:

The results of the insurance subsidiary company for the period ended 31 March 2015 were affected by an increase in its provision for Incurred But Not Reported (“IBNR”) claims and Provision of Risk Margin for Adverse Deviation (“PRAD”) by RM49,150,000.

The increase was due to the extra conservative approach taken by the insurance subsidiary company’s newly appointed actuary in estimating the provision for IBNR claims and PRAD as at 31 March 2015, compared to the estimation performed by its former actuary which was still within the acceptable range. All appointments of actuaries were approved by Bank Negara Malaysia (“BNM”).

Despite the extra conservative approach used in estimating the provision for IBNR claims and PRAD, the Capital Adequacy Ratio of the insurance subsidiary company is still above the Internal Target Capital Level approved by BNM.

Consequent upon the increase in the provision for IBNR claims and PRAD, the insurance subsidiary company’s reserves which had previously been maintained at a level adequate to settle its current and future claims liabilities as and when they fall due, have now been further strengthened, to enable the insurance subsidiary company to withstand any challenges in the market arising from economic uncertainties and changes in insurance regulations.

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, 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 24 March 2015, the shareholders approved the renewal of the Company's plan to purchase its own ordinary shares.

During the period ended 31 March 2015, the Company purchased 192,600 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM1.30 per share for a total consideration of RM249,903. 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 2015, 5,932,100 (RM7,464,657) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 240,021,900 ordinary shares of RM0.50 each.

(iii) There were no issuances or repayments of debt securities during the period ended 31 March 2015.

A8. Segment Information

| Year To Date 31 March 2015 | Insurance RM'000 | Information Technology RM'000 | Investment Holding RM'000 | Others RM'000 | Consolidation adjustments RM'000 | Group RM'000 |
|--|---------------------|-------------------------------------|---------------------------------|------------------|--|-----------------|
| REVENUE | | | | | | |
| External sales | 240,815 | 4,400 | 2,419 | 1,737 | - | 249,371 |
| Inter-segment Sales | 128 | 7,302 | 31,255 | 4 | (38,689) | - |
| Total segment Revenue | 240,943 | 11,702 | 33,674 | 1,741 | (38,689) | 249,371 |
| RESULTS | | | | | | |
| Segment profit before tax after accounting for : | (16,011) | 609 | 35,904 | (503) | (26,097) | (6,098) |
| Interest income | - | 61 | - | 43 | - | 104 |
| Finance cost | (2,732) | (1,275) | (207) | (1,675) | 4,263 | (1,626) |
| Depreciation | (557) | (274) | (56) | (1) | 6 | (882) |
| Amortisation | (263) | (99) | (6) | - | 9 | (359) |
| Other non cash items | 1,720 | (3,223) | (9,032) | (113) | - | (10,648) |

A9. Material Events Subsequent to End of Reporting Period

There were no material events subsequent to the end of the period reported up to 28 May 2015 except as disclosed below:

On 1 April 2015, the Company made an announcement that Pacific & Orient Properties Limited, a wholly owned subsidiary of the Company had on 31 March 2015 entered into an Investment and Shareholders Agreement with Fast2Fibre (Holdings) Limited (“F2F”), incorporated and registered in England and Wales under company number 8904172, whose registered office is at Winchester House, Deane Gate Avenue, Taunton, Somerset TA1 2UH, to invest in 30% of the equity in F2F for the total subscription price of £1,500,000.00.

The acquisition was completed on 1 April 2015 and following the said acquisition, F2F became an associate of the Group.

A10. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the period ended 31 March 2015.

A11. Changes in Contingent Assets and Contingent Liabilities

The Group does not have any contingent assets since financial year ended 30 September 2014.

Details of the Group’s contingent liabilities are as follow:

| | <u>Year To Date</u> | |
|----------------------------------|---------------------|-------------------|
| | <u>31.03.2015</u> | <u>31.03.2014</u> |
| | RM’000 | RM’000 |
| Performance guarantees - secured | <u>376</u> | <u>315</u> |

A12. Capital Commitments

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

| | <u>Year To Date</u> | |
|-----------------------------|---------------------|-------------------|
| | <u>31.03.2015</u> | <u>31.03.2014</u> |
| | RM'000 | RM'000 |
| Approved and contracted for | - | 346 |

A13. Risk-Based Capital (“RBC”) Framework of the Insurance Subsidiary

As at 31 March 2015, the insurance subsidiary has a capital adequacy ratio in excess of the minimum requirement as stipulated in the RBC Framework.

A14. Significant Event

On 26 November 2014, the Company made an announcement that P & O Global Technologies Inc (“POGT US”), a wholly owned subsidiary of the Company had on 25 November 2014 entered into an Agreement of Purchase and Sale with 7914 BUILDING, LLC, a Florida limited liability company with an office at 11098 Biscayne Blvd., Suite 203, Miami, Florida 33161, to acquire a piece of freehold land situated in Miami-Dade County, Florida (“the Land”), having an address of 7914 West Drive, 7916 West Drive and 7918 West Drive, North Bay Village, Florida 33141, for a total consideration of USD8,300,000 and a signing bonus of USD75,000 upon the terms and conditions as stipulated in the said Agreement. The acquisition is subject to satisfactory results from inspections, tests and analyses on the land as determined by POGT US.

The Company had on 8 January 2015, made an announcement that the acquisition of the Land has become unconditional following satisfactory results from inspections, tests and analyses on the Land.

B. Additional Notes Pursuant To The Main Market Listing Requirements of Bursa Malaysia For The Six Months Ended 31 March 2015

B1. Review of Results

Current Quarter

Group revenue was RM123,875,000 compared to RM140,441,000 in the corresponding quarter of the last financial year. Loss before tax of RM26,411,000 was reported compared to pre-tax profit of RM19,042,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue decreased by RM16,758,000 to RM119,726,000 for the current quarter compared to the corresponding quarter of the last financial year. The decrease in revenue was primarily due to lower gross earned premium. Loss before tax of RM28,861,000 was reported compared to pre-tax profit of RM20,037,000 in the corresponding quarter of the last financial year. This was largely attributable to a deficit in underwriting results arising from higher net claims incurred due to an extra conservative provision for IBNR claims and PRAD in March 2015 as disclosed in Note A5.

Information technology (IT) segment - Revenue from external parties increased by RM185,000 to RM2,150,000 for the current quarter compared to the corresponding quarter of the last financial year, principally due to higher revenue from software sales. However, pre-tax loss increased by RM1,096,000 to RM1,218,000 for the current quarter compared to the corresponding quarter of the last financial year, largely due to absence of write back of allowance for impairment of a trade receivable in a foreign operation in the current quarter.

Year to Date

Group revenue was RM249,371,000 compared to RM278,043,000 in the corresponding period of the last financial year. Loss before tax of RM6,098,000 was reported compared to pre-tax profit of RM32,206,000 in the corresponding period of the last financial year.

Insurance segment – Revenue decreased by RM29,783,000 to RM240,815,000 for the current period compared to the corresponding period of the last financial year. The decrease in revenue was primarily due to lower gross earned premium. Loss before tax of RM10,142,000 was reported compared to pre-tax profit of RM37,767,000 in the corresponding period of the last financial year. This was largely attributable to lower underwriting results arising from higher net claims incurred due to an extra conservative provision for IBNR claims and PRAD in March 2015 as disclosed in Note A5.

Information technology (IT) segment - Revenue from external parties increased by RM477,000 to RM4,400,000 for the current period compared to the corresponding period of the last financial year, principally due to higher revenue from software sales. Pre-tax loss decreased by RM699,000 to RM2,672,000 for the current period compared to the corresponding period of the last financial year, largely due to unrealised foreign exchange gain.

B2. Comparison With Immediate Preceding Quarter's Results

Group revenue was RM123,875,000 compared to RM125,496,000 reported in the immediate preceding quarter. Loss before tax of RM26,411,000 was reported compared to pre-tax profit of RM20,313,000 in the immediate preceding quarter.

Insurance segment – Revenue decreased by RM1,363,000 to RM119,726,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to lower gross earned premium. Loss before tax of RM28,861,000 was reported compared to pre-tax profit of RM18,718,000 in the immediate preceding quarter. This was largely attributable to underwriting deficit arising from higher net claims incurred due to an extra conservative provision for IBNR claims and PRAD in March 2015 as disclosed in Note A5.

IT segment – Revenue from external parties decreased by RM99,000 to RM2,150,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to lower revenue from hardware. However, pre-tax loss decreased by RM236,000 to RM1,218,000 for the current quarter compared to the immediate preceding quarter, largely due to unrealised foreign exchange gain.

B3. Current Year Prospects

The Malaysian insurance business environment continues to be competitive and challenging, mainly due to the consolidation of the insurance industry and keen competition. Nevertheless, with the continuing emphasis on profitable business, the Board expects the performance of the insurance segment in the second half year to improve compared to the previous half year.

The IT segment remains extremely competitive. Nonetheless, amid this environment, 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 its clients.

In view of the above and barring unforeseen circumstances, the Board expects the Group's performance in the second half year to improve compared to the previous half year.

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the period ended 31 March 2015.

B5. Taxation

The taxation figures include the following:

| | Quarter Ended 31.03.2015 RM'000 | Year to Date 31.03.2015 RM'000 |
|---|--|---|
| Income tax: | | |
| Current year's provision | | |
| - Malaysian tax | (1,386) | 466 |
| - Foreign tax | 8 | 8 |
| | <u>(1,378)</u> | <u>474</u> |
| Over provision of double tax deduction in respect of cash contribution to Malaysian Motor Insurance Pool (MMIP) in prior year | 1,286 | 1,286 |
| Deferred tax: | | |
| - Transfer from deferred taxation | <u>(5,251)</u> | <u>(5,267)</u> |
| | <u>(5,343)</u> | <u>3,507</u> |

The effective rate of taxation of the Group is lower principally due to certain income which are not subject to tax and double tax deduction for payment made by the insurance subsidiary company to MMIP during the current period.

B6. Status of Corporate Proposal

As at 28 May 2015 there was no corporate proposals announced but not completed.

B7. Status of utilisation of proceeds

The divestment of 49% of the Company's equity interest in its insurance subsidiary company, Pacific & Orient Insurance Co. Berhad ("POI") to Sanlam Emerging Markets Proprietary Limited, for a cash consideration of RM270,000,000 was completed on 17 May 2013.

As at 31 March 2015, the Company had utilised the proceeds from the divestment as follows: -

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended Timeframe for Utilisation RM'000 | Deviation RM'000 | Deviation % |
|---|-----------------------------------|---------------------------------|--|---------------------|----------------|
| Payment of special dividend | 37,000 | 37,013 | Within 3 months | (13) | (0.04) |
| Repayment of bank borrowings | 48,000 | 48,000 | Within 3 months | - | - |
| Investments to be identified ⁽¹⁾ | 150,000 | 71,530 | Within 24 months | 78,470 | 52.31 |
| Working capital ⁽²⁾ | 28,300 | 15,329 | Within 24 months | 12,971 | 45.83 |
| Defraying expenses incidental to the Divestment ⁽³⁾ | 6,700 | 6,672 | Within 3 months | 28 | 0.42 |
| | <u>270,000</u> | <u>178,544</u> | | <u>91,456</u> | |

Note:

- (1) The Board is still actively exploring and identifying additional investment opportunities for the Group.
- (2) Working capital is for the Group's operating and administrative expenses.
- (3) The unutilised balance sum for defraying expenses incidental to the divestment will be adjusted to working capital.

The Board had via its announcement to Bursa Malaysia on 12 May 2015 extended the timeframe for utilisation of the remaining unutilised portions of (1) and (2) above from 16 May 2015 to 16 November 2016.

B8. Group Borrowings*

| | As At 31.03.2015 RM'000 |
|-----------------------------|-------------------------------|
| Long term | |
| a. Secured | 1,269 |
| b. Unsecured ⁽¹⁾ | 33,720 |
| Short term | |
| a. Secured | 869 |
| b. Unsecured | - |
| Foreign currency borrowings | - |

* Includes hire purchase creditors of RM1,938,000 of which RM1,269,000 is long term and RM669,000 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 on 27 June 2012.

B9. Material Litigation

As at 31 March 2015 there was no material litigation against the Group other than those arising in the normal course of the insurance subsidiary's business.

B10. Dividends

| | RM'000 | Date of payment |
|---|---------------|------------------|
| In respect of financial year ending 30 September 2015: | | |
| (i) A first interim single tier dividend of 2.20 sen per share declared on 28 November 2014 | 5,285 | 30 December 2014 |
| (ii) A second interim single tier dividend of 1.30 sen per share declared on 7 January 2015 | 3,120 | 12 February 2015 |
| (iii) A third interim single tier dividend of 1.70 sen per share declared on 13 March 2015 | 4,080 | 15 April 2015 |
| | <u>12,485</u> | |
| (iv) The Board of Directors had on 14 May 2015 declared a fourth interim single tier dividend of 0.80 sen per share in respect of the current financial year, payable on 17 June 2015. This dividend has not been reflected in the financial statements for the current quarter ended 31 March 2015 but will be accounted for in equity as an appropriation of retained profits for the next quarter ending 30 June 2015. | | |

The total single tier dividend declared for the current financial year to date 31 March 2015 and up to the date of announcement was 6.00 sen per share. (Previous corresponding period: single tier dividend of 4.50 sen per share.)

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

B11. (Loss)/Earnings Per Share

| | | Quarter Ended | | Year To Date | |
|---|----------|---------------|------------|--------------|------------|
| | | 31.03.2015 | 31.03.2014 | 31.03.2015 | 31.03.2014 |
| (Loss)/profit for the period (A) | (RM'000) | (8,419) | 6,708 | 3,301 | 10,662 |
| Weighted average number of ordinary shares in issue (B) | ('000) | 240,022 | 240,568 | 240,086 | 241,307 |
| Earnings per share: | | | | | |
| Basic (A÷B) | (sen) | (3.51) | 2.79 | 1.37 | 4.42 |

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

B12. (Loss)/Profit For The Period

| | Quarter Ended | Year To Date |
|--|---------------|--------------|
| | 31.03.2015 | 31.03.2015 |
| | RM'000 | RM'000 |
| (Loss)/profit for the period is arrived at after charging: | | |
| Interest expense | 723 | 1,455 |
| Depreciation of property, plant and equipment | 448 | 882 |
| Amortisation of: | | |
| - intangible assets | 166 | 357 |
| - prepaid land lease payments | 1 | 2 |
| Allowance for impairment of: | | |
| - insurance receivables | 200 | 203 |
| - Reinsurance assets | 2,038 | 2,038 |
| Write back in impairment of: | | |
| - insurance receivables | (363) | (397) |
| Loss on disposal of property, plant and equipment | 18 | 15 |
| and after crediting: | | |
| Other operating income: | | |
| Interest income | 60 | 104 |
| Rental income | 1 | 2 |
| Realised and unrealised foreign exchange gain (net) | 6,269 | 12,433 |

B12. (Loss)/Profit For The Period (Cont'd.)

There were no (i) gain or loss on disposal of quoted and unquoted investments or properties, (ii) gain or loss on derivatives and (iii) exceptional items for the current quarter and period ended 31 March 2015.

B13. Disclosure of Realised and Unrealised Profits

| | As at 31.03.2015 RM'000 | As at 30.09.2014 RM'000 |
|---|-------------------------------|-------------------------------|
| Total retained profits of the Group: | | |
| - Realised | 198,885 | 251,664 |
| - Unrealised | 14,718 | (187) |
| | <hr/> 213,603 | <hr/> 251,477 |
| Consolidation adjustments | (10,762) | (39,452) |
| Total retained profits as per statement of financial position of the Group | <hr/> 202,841 | <hr/> 212,025 |

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

28 May 2015