

**A. Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended 31 March 2016**

**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 2015.

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 2015.

**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

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

Effective for financial periods beginning on or after 1 January 2016 (Cont'd.)

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)

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112      Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to MFRS 107      Disclosure Initiative

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)

MFRS 15                             Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16                             Leases

Effective date to be announced by Malaysian Accounting Standard Board

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

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

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.

- MFRS 15: Revenue from Contracts with Customers

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when the 'control' of the goods and services underlying the particular performance obligation is transferred to the customers.

The Group is currently assessing the financial impact of adopting MFRS 15.

- MFRS 16: Leases

MFRS 16 replaces the existing standard on leases, MFRS 117.

MFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under MFRS 16, lessees are required to recognise all leases in their balance sheets in the form of an asset (for the right of use) and a lease liability (for the payment obligation). Exception is granted for leases which are for a term of 12 months or less or where the underlying lease assets are of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using another systematic method.

MFRS 16 has substantially retained the lessor accounting model in MFRS 117. A lessor still has to classify leases as either finance or operating leases, depending on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee.

The Group is currently assessing the financial impact of adopting MFRS 16.

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.

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 1 March 2016, the shareholders approved the renewal of the Company's plan to purchase its own ordinary shares.

During the period ended 31 March 2016, the Company purchased 1,000 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM1.48 per share for a total consideration of RM1,485. 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 2016, 6,949,900 (RM8,871,761) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 239,004,100 ordinary shares of RM0.50 each.

(iii) There were no issuances or repayments of debt securities during the period ended 31 March 2016.

**A8. Segment Information**

Year To Date 31 March 2016	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	189,223	6,280	1,546	1,601	-	198,650
Inter-segment Sales	128	8,821	12,403	7	(21,359)	-
Total segment Revenue	<u>189,351</u>	<u>15,101</u>	<u>13,949</u>	<u>1,608</u>	<u>(21,359)</u>	<u>198,650</u>
<b>RESULTS</b>						
Segment profit	37,744	(4,960)	(11,933)	(1,512)	(6,482)	12,857
Share of losses of associated companies	-	-	-	(369)	-	(369)
Segment profit before tax after accounting for :	<u>37,744</u>	<u>(4,960)</u>	<u>(11,933)</u>	<u>(1,881)</u>	<u>(6,482)</u>	<u>12,488</u>
Interest income	-	58	-	134	-	192
Finance cost	(2,781)	(1,021)	(196)	(2,006)	4,339	(1,665)
Depreciation	(535)	(277)	(64)	(27)	6	(897)
Amortisation	(209)	(98)	(6)	(1)	21	(293)
Other non-cash items	(48)	3,461	18,515	505	-	22,433

**A9. Material Events Subsequent to End of Reporting Period**

There were no material events subsequent to the end of the period reported up to 20 May 2016.

**A10. Effect of Changes in Composition of the Group**

There were no changes in the composition of the Group for the quarter ended 31 March 2016 except as disclosed below:

As at the end of the previous quarter, the wholly owned foreign subsidiary of the Company, Pacific & Orient Properties Ltd. (“POPL”), had invested a total of 28,855 ordinary shares of GBP0.00001 each in Cloudbanter Ltd (“Cloudbanter”) for subscription price totalling GBP515,009. The said investment represents 18.43% of the total equity interest in Cloudbanter and was accounted for as an available-for-sale (“AFS”) financial asset.

On 12 February 16, Cloudbanter had re-designated 17,870 ordinary shares held by an employee to deferred shares. Arising from the re-designation of shares, POPL’s interest in Cloudbanter has increased from 18.43% to 21.09%. Accordingly, the investment in Cloudbanter is now reclassified from AFS financial asset to investment in an associated company.

**A11. Changes in Contingent Assets and Contingent Liabilities**

The Group does not have any contingent assets since financial year ended 30 September 2015.

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

	<u>Year To Date</u>	
	<u>31.03.2016</u>	<u>31.03.2015</u>
	RM’000	RM’000
Performance guarantees - secured	<u>197</u>	<u>376</u>

**A12. Capital Commitments**

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

	<u>Year To Date</u>	
	<u>31.03.2016</u>	<u>31.03.2015</u>
	RM’000	RM’000
Approved and contracted for:		
- Property, plant and equipment	609	-
- Intangible assets	32	-
	<u>641</u>	<u>-</u>

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

As at 31 March 2016, 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 Bursa Malaysia For The Six Months Ended 31 March 2016**

**B1. Review of Results**

Current Quarter

Group revenue was RM101,579,000 compared to RM123,875,000 in the corresponding quarter of the last financial year. Profit before tax of RM13,948,000 was reported compared to pre-tax loss of RM26,411,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue decreased by RM23,344,000 to RM96,382,000 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. However, profit before tax of RM32,148,000 was reported as opposed to pre-tax loss of RM28,861,000 in the corresponding quarter of the last financial year. This was largely attributable to better underwriting results arising from lower net claims incurred.

Information technology (IT) segment - Revenue from external parties increased by RM1,283,000 to RM3,433,000 for the current quarter compared to the corresponding quarter of the last financial year, principally due to higher revenue from sales of hardware and rental of equipment and software. However, pre-tax loss of RM3,604,000 was reported for the current quarter as compared to RM1,218,000 in the corresponding quarter of the last financial year, largely due to unrealised foreign exchange loss of RM2,460,000 reported in the current quarter as opposed to unrealised foreign exchange gain of RM1,765,000 in the corresponding quarter of the last financial year.

Year to Date

Group revenue was RM198,650,000 compared to RM249,371,000 in the corresponding period of the last financial year. Profit before tax of RM12,488,000 was reported compared to pre-tax loss of RM6,098,000 in the corresponding period of the last financial year.

Insurance segment – Revenue decreased by RM51,592,000 to RM189,223,000 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. However, profit before tax of RM44,440,000 was reported as compared to pre-tax loss of RM10,142,000 in the corresponding period of the last financial year. This was largely attributable to better underwriting results arising from lower net claims incurred.

Information technology (IT) segment - Revenue from external parties increased by RM1,880,000 to RM6,280,000 for the current period compared to the corresponding period of the last financial year, principally due to higher revenue from consulting services, sales of hardware and rental of equipment and software. However, pre-tax loss of RM8,662,000 was reported for the current period as compared to RM2,672,000 for the corresponding period of the last financial year, largely due to unrealised foreign exchange loss of RM3,401,000 reported in the current period as opposed to unrealised foreign exchange gain of RM3,242,000 in the corresponding period of the last financial year.

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

Group revenue was RM101,579,000 compared to RM97,071,000 reported in the immediate preceding quarter. Profit before tax of RM13,948,000 was reported compared to pre-tax loss of RM1,460,000 in the immediate preceding quarter.

Insurance segment – Revenue increased by RM3,541,000 to RM96,382,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to higher gross earned premium. Profit before tax of RM32,148,000 was reported compared to pre-tax profit of RM12,292,000 in the immediate preceding quarter. This was largely attributable to better underwriting results arising from lower net claims incurred.

IT segment – Revenue from external parties increased by RM586,000 to RM3,433,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to higher revenue from sales of hardware and rental of equipment and software. Pre-tax loss of RM3,604,000 was reported for the current quarter as compared to RM5,058,000 reported in the immediate preceding quarter, largely due to the absence of payment of staff bonus netted off against the increase in unrealised foreign exchange loss of RM2,460,000 reported in the current quarter compared to RM941,000 in the immediate preceding quarter.

**B3. Current Year Prospects**

Volatility in the global financial markets and declining commodity prices continue to have adverse effects on the local financial market.

The insurance sector continues to be challenging with intense competition amongst the local players. This is further compounded by the reduced spending power of the Malaysian consumers. Nevertheless, with the Group's emphasis on profitable business, the Board expects the insurance segment in the second half year to be satisfactory.

The IT segment remains extremely competitive. With the Group's focus on maintaining high quality service to its clients and the relationship established with its long term clients, the IT segment is expected to remain stable in its long term growth.

In spite of the challenges faced by the Group and barring unforeseen circumstances, the Board expects the Group's performance for the second half year to be satisfactory.



B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the period ended 31 March 2016.

B5. Taxation

The taxation figures include the following:

	Quarter Ended 31.03.2016 RM'000	Year to Date 31.03.2016 RM'000
Income tax:		
Current year's provision		
- Malaysian tax	7,327	9,616
Deferred tax:		
- Transfer from deferred taxation	(33)	(24)
	<u>7,294</u>	<u>9,592</u>

The effective rate of taxation of the Group is higher principally due to certain expenses which are not deductible for tax purposes.

B6. Status of Corporate Proposal

As at 20 May 2016 there were no corporate proposals.

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 2016, 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 <sup>(1)</sup>	150,000	122,540	Within 24 months	27,460	18.31
Working capital <sup>(2)</sup>	28,328	26,793	Within 24 months	1,535	5.42
Defraying expenses incidental to the Divestment	6,672	6,672	Within 3 months	-	-
	<u>270,000</u>	<u>241,018</u>		<u>28,982</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.

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.

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

B8. Group Borrowings\*

	As At 31.03.2016 RM'000
Long term	
a. Secured	1,704
b. Unsecured <sup>(1)</sup>	33,874
Short term	
a. Secured	1,048
b. Unsecured	-
Foreign currency borrowings	-

\* Includes hire purchase creditors of RM2,551,000 of which RM1,704,000 is long term and RM847,000 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 2016 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 2016:		
(i) A first interim single tier dividend of 2.00 sen per share declared on 4 November 2015	4,780	4 December 2015
(ii) A second interim single tier dividend of 2.00 sen per share declared on 15 December 2015	4,780	20 January 2016
(iii) A third interim single tier dividend of 1.50 sen per share declared on 5 February 2016	3,585	16 March 2016
	13,145	
(iv) The Board of Directors had on 19 April 2016 declared a fourth interim single tier dividend of 1.30 sen per share in respect of the current financial year, payable on 25 May 2016. This dividend has not been reflected in the financial statements for the current quarter ended 31 March 2016 but will be accounted for in equity as an appropriation of retained profits for the next quarter ending 30 June 2016.		

The total single tier dividend, including the fourth interim single tier dividend declared on 19 April 2016, in respect of the current financial year was 6.80 sen per share. (Previous corresponding period: single tier dividend of 6.00 sen per share)

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

B11. Loss Per Share

		Quarter Ended		Year To Date	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
Loss for the period (A)	(RM'000)	(4,001)	(8,419)	(10,905)	3,301
Weighted average number of ordinary shares in issue (B)	('000)	239,004	240,022	239,004	240,086
Loss per share:					
Basic (A÷B)	(sen)	(1.67)	(3.51)	(4.56)	1.37

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

B12. Loss For The Period

	Quarter Ended 31.03.2016 RM'000	Year To Date 31.03.2016 RM'000
Loss for the period is arrived at after charging:		
Interest expense	738	1,487
Depreciation of property, plant and equipment	453	897
Amortisation of:		
- intangible assets	155	291
- prepaid land lease payments	1	2
Loss on disposal of property, plant and equipment	35	35
Impairment of available-for-sale financial assets	58	58
Allowance for impairment of insurance receivables	222	222
Allowance for/(Write back in allowance for) impairment of insurance receivables	10	(1)
Write back in impairment of reinsurance assets	(129)	(283)
Unrealised foreign exchange loss	15,470	22,108
Realised foreign exchange loss	137	140
and after crediting:		
Other operating income:		
Interest income	91	192
Rental income	2	5

There were no (i) write off of inventories, (ii) gain or loss on disposal of quoted and unquoted investments or properties, (iii) gain or loss on derivatives and (iv) exceptional items for the current quarter and period ended 31 March 2016.

B13. Disclosure of Realised and Unrealised Profits

	As at 31.03.2016 RM'000	As at 30.09.2015 RM'000
Total retained profits of the Group:		
- Realised	228,223	223,144
- Unrealised	16,909	35,375
	<u>245,132</u>	<u>258,519</u>
Share of accumulated losses from an associated company:		
- Realised	(802)	(433)
Consolidation adjustments	<u>(35,137)</u>	<u>(24,843)</u>
Total retained profits as per statement of financial position of the Group	<u>209,193</u>	<u>233,243</u>

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

20 May 2016